This 1 Energy Stock Is Set to Take Off

Description

It's been a hard few years to be an energy stock. The oil and gas glut sent 2018 highs down to lows not seen in years, only to fall further with the pandemic halting production. Yet with the **S&P/TSX Composite Index** now up about 20% year to date, oil prices continue to drive performance.

That means it's a great time to pick up an energy stock or two during this rebound. But which one? Many have already started to recover, but there are some that I would put in front of others. In fact, if you're a Motley Fool investor looking for a top energy stock, I would say **Cenovus Energy** (TSX:CVE)(NYSE:CVE) offers the best chance to see shares take off.

A strong year for Cenovus stock

Cenovus stock rebounded quickly as one of the few oil and gas producers actually posting a profit this year. In fact, it's been managed so well during this pandemic that Senior Vice President of Development and Production Jason Abbate received a Canada "40 Under 40" award this week.

This comes from a variety of sources. Cenovus acquired Husky Energy in a deal the company promised would create over $1 billion in synergies. Those synergies have since been achieved and is a huge part of the doubling in share price that occurred this year.

But Cenovus stock continues to be an energy stock bent on creating shareholder interest. While it recently missed earnings estimates, this was chalked up to the increase in price to transport oil and gas, not from production problems. Revenue reached $10.7 billion — a 268% increase from last year's $2.9 billion.

The company then moved on towards a share-repurchase program, representing 10% of its public float or 146,451,823 shares. These buybacks are another sign that Motley Fool investors should be watching the energy stock closely for signs of future growth.

What analysts are saying

Here’s the tricky part. All this growth is certainly excellent, with shares up 100% year to date. But is it now overpriced? According to analysts, not yet. A target share price of about $18 is agreed to by analysts, representing a 19% potential upside as of writing.

Furthermore, Cenovus stock offers a dividend yield of 0.89% as of writing — not much, I’ll grant you. However, energy stocks and other industries have been upping their dividends on the back of stable growth. So, it may be very soon that we see Cenovus stock also increase its dividend.

Among 15 analysts, 13 recommend Cenovus stock as a buy, and two recommend it as a hold. It remains relatively cheap with a EV/EBITDA of 7.53 at writing and price-to-book ratio of 1.33. So, all of this coupled with future growth bode well for the energy stock’s future.

Should you invest $1,000 in Cenovus stock right now?

In my view, among the energy companies out there, I would say Cenvous stock has growth potential going for it. Any other energy stock has already done a lot of its growth, and the acquisition of Husky alone all but guarantees strong growth in the next few years.

The share buybacks, a potential dividend increase and upping of production are all other signs that the company could take off in the next year. So, if you’re looking for an oil and gas energy stock, I would consider Cenovus stock a strong investment today for Motley Fool investors. And analysts tend to agree.

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