



## Cenovus (TSX:CVE) Tripled its Dividend Rate!

### Description

Canada's energy sector continues to thrive. Earnings and dividends are skyrocketing. The latest green flag was raised by Calgary-based oil and gas producer **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)). [Cenovus](#) announced first-quarter earnings this morning that blew away all expectations. Here's a closer look at the numbers.

### Cenovus earnings

The rapid surge in oil and gas prices has been a tailwind for energy stocks. Cenovus has been at the forefront of this trend. After its acquisition of Husky Energy last year, the company is now the third-largest producer of oil and gas in Canada. Now, shareholders benefit from this scale, as the underlying commodity surges in value.

This morning, Cenovus declared \$1.6 billion in first-quarter profits. That's seven times higher than the same period last year.

The company also announced that it would *triple* its dividend rate going forward. Investors can now expect annual dividends to rise from \$0.14 per share to \$0.42 per share. The company is also expected to expand its share-repurchase scheme. However, that scheme depends on its ability to reduce debt.

### Debt reduction

According to the earnings report, Cenovus carries \$11.7 billion at the end of the first quarter of 2022. Net debt was \$8.4 billion. The company's management wants to use excess cash flows to pay off much of this debt. Their target was to deliver 50% of free funds flow to shareholders when the net debt was below \$9 billion, so investors can expect more rewards in the months ahead.

Over the near term, Cenovus plans to reduce net debt further to \$4 billion. That would put it in a much stronger financial position.

## Valuation

Cenovus stock is trading 4% higher this morning on the back of these positive announcements. However, the valuation remains attractive. The company could generate \$6.4 billion in net income over the course of this year. That means the stock is trading at a forward price-to-earnings ratio of 6.8.

The company faces more positive catalysts ahead. Global energy supplies are still severely constrained, which could keep prices above \$100 a barrel. Meanwhile, Cenovus has announced an end to its hedging strategy over the first two quarters of 2022. Once this program ends, the company could capture more of the upside in energy prices. Put simply, the stock is undervalued if you expect the energy crisis to continue.

## Bottom line

The ongoing energy crisis is creating a windfall for Canada's largest producers. Cenovus is the latest to report a massive boost in earnings from this trend. Net income has jumped seven times from last year while management has tripled the dividend rate. If you expect the price of oil and gas to remain elevated for the rest of 2022, this stock could be an ideal target. Keep an eye on it.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

### PP NOTIFY USER

1. kduncombe
2. vraisinghani

**Category**

1. Energy Stocks
2. Investing

**Date**

2025/08/23

**Date Created**

2022/04/27

**Author**

vraisinghani

default watermark

default watermark