



## Ovintiv Stock Tanks: Time to Buy?

### Description

**Ovintiv** ([TSX:OVV](#))([NYSE:OVV](#)) fell more than 13% leading up to the release of its Q1 2022 results amid a plunge in the oil [sector](#). The pullback has investors wondering if Ovintiv stock is now a buy.

### Ovintiv overview

Ovintiv is a relatively new name in the oil and gas industry, but the company has been around for a long time. It was previously called Encana. Management made the name change in early 2020 right before the pandemic crash. Ovintiv is now a U.S. company based in Denver, whereas Encana was Canadian and based out of Calgary.

Investors who had the courage to buy the stock at \$3.50 a little over two years ago have enjoyed amazing returns. Ovintiv shares recently hit \$73.50 on the TSX before the latest dip. At the time of writing, Ovintiv trades near \$62.

The board raised the dividend by 43% when the company reported the Q4 2021 results and just announced another 25% increase. The new quarterly distribution of US\$0.25 per share provides an annualized yield of about 2%. That's not a large payout at today's share price, but anyone who purchased the stock in the early stages of the oil rebound is getting an excellent yield.

### Ovintiv earnings

The rally in WTI oil prices to above US\$100 per barrel in the first part of 2022 sets Ovintiv up to meet its net debt target of US\$3 billion earlier than expected this year and should result in another flood of cash being handed out to shareholders through higher dividends and share buybacks.

In the first three months of 2022, Ovintiv produced 500,000 barrels of oil equivalent per day (boe/d) above the midpoint of its guidance. Despite the strong market price and output, the company reported a net loss of US\$241 million for Q1 2022 due to a US\$1.458 billion net loss on risk management.

Ovintiv generated full-year 2021 net earnings of US\$1.4 billion.

## Oil market

Oil prices remain volatile, but WTI is still above US\$100 per barrel at the time of writing. The rebound in global demand is expected to continue for some time, as economic activity ramps up again in countries that took the heaviest hits from the pandemic. OPEC members and other producers are struggling to boost production due to steep cuts to capital programs over the past two years. It will take time for new investments to deliver meaningful new supply to the market. Producers in Canada and the United States are taking advantage of the cash windfall to pay down debt and return capital to shareholders in an effort to boost stock prices before committing capital beyond what is needed to maintain current production.

Fuel consumption is expected to rise in the back half of 2022, as airlines ramp up capacity to meet travel demand and commuters continue to head back to offices.

Overall, oil prices are expected to remain elevated through at least next year, if not longer.

Ovintiv also has significant natural gas production. Natural gas prices in Canada and the United States have surged on tight supplies and growing demand for liquified natural gas (LNG) that is exported to international buyers.

The wild card in the energy markets remains the extent and duration of sanctions on Russian oil and natural gas. The country is a significant energy producer.

## Is Ovintiv stock now a buy?

The easy money has already been made, but the recent pullback could be an opportunity to buy Ovintiv stock before the next surge. The rally in oil and gas stocks likely still has legs, and Ovintiv has gone from being a market dog to a star. Volatility should be expected, but investors who remain bullish on oil and gas prices might want to add some Ovintiv to their portfolios on the latest weakness.

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