If I'd Invested in CVE Stock at the Start of 2022, Here's What I'd Have Now

Description

2022 — it's been a roller-coaster year. While it's mostly been stuck on the blood-curdling downside of the roller coaster, there are some stocks that have escaped this fate. **Cenovus Energy** (TSX:CVE), is one such stock. With Cenovus's stock price up 52% since the start of 2022, CVE stock has been a bright light in this difficult and tumultuous market.

If I had invested $10,000 in CVE stock in January 2022, I would have $15,200 today. That's a gain of $5,200 in only 10 months.

Cenovus's stock price: At the height of its ride and still climbing higher

As the third-largest Canadian oil and gas producer and the second-largest Canadian-based refiner and upgrader, Cenovus has been making a fortune. This has happened, as the company has been enjoying very positive industry fundamentals.

On the production side, as we know, oil and gas prices have been really strong this year. They're at levels that are way above companies' (like Cenovus) breakeven points. Therefore, these companies are generating tonnes of cash flow. For example, Cenovus generated $5.6 billion in adjusted funds flow in the first six months of 2022. This was 92% higher than last year and a record.

Also, oil prices are 13% higher than at the beginning of the year. They're also 50% higher than they were four years ago. Furthermore, natural gas prices have also been on a steady climb higher in all regions of the world. Prices of over $5.50 are well above prices of less then $2.00 only a few years ago. Liquified natural gas prices have been especially strong, as they benefit from strong global demand for natural gas. This has benefitted Cenovus's financial results tremendously. It has also driven CVE stock higher.

Cenovus is no longer solely reliant on its production segment. This is by design, as its acquisition of Husky Energy a few years ago was motivated by the company's desire to diversify into refining and upgrading. This is a obviously a related business. But it's also quite independent, as it's driven by crack spreads, which are simply the difference between the crude oil price and the price for upgrading products such as gasoline. These days crack spreads are very attractive, meaning that refiners and upgraders are doing quite well.

CVE stock is building on all of this strength

It's nice to talk about what I would have if I'd invested $10,000 into CVE stock. It's a good way to illustrate the money-making potential of investing in the right stocks. At this point, however, I'm sure you all are wondering what this means for the future of CVE stock. Are the good times behind it, or is there more money to be made?

Well, I think the answer to this question is simple. Oil and gas stocks were out of favour for a long time. This was because oil and gas prices were so low, and these companies were just surviving. Today, there's a global energy crisis going on. Years of underinvestment in oil and gas assets has left us with relatively low supplies. Yet demand continues to grow. On top of this, geopolitical tension and supply disruptions have been the norm lately, further exacerbating the problem. All of this has driven the price increases that we have seen.

For its part, Cenovus continues to perform well operationally. Its strategy to diversify into refining is paying off big. And as Cenovus continues to invest in its assets and extract synergies from its Husky acquisition, we will see more of the same.

With CVE stock, investors have a lot to look forward to. The end of this year could see a significant return of capital to shareholders, as the company continues to clean up its balance sheet and redirect money back to shareholders through dividend increases. So, yes, CVE stock has had phenomenal gains on the TSX, but I think there's definitely much more to come.

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