



5 Things to Know About CVE Stock in November 2022

Description

A few weeks back, energy names were digging deep amid lower oil prices. But oil and gas stocks are innately highly volatile. After a brief hiatus, [TSX energy stocks](#) have again marched higher this month, thanks to rallying oil prices. One of the Canadian bigwigs that stands tall is **Cenovus Energy** ([TSX:CVE](#)). The oil and gas major has soared a notable 50% since October and returned 90% since the beginning of 2022.

Here are five crucial points investors should know about CVE stock.

Robust asset base

Cenovus Energy is Canada's third-biggest energy producer by market cap. Higher oil prices have boosted energy producers' earnings in the last few years. But in the future, asset quality will play a more important role as well, with lower breakeven costs that will fetch higher margins.

The integrated energy company aims to produce nearly 800,000 barrels of oil equivalent per day this year. Its assets in Christina Lake and Foster Creek have some of the lowest breakeven prices in the sector. As oil prices remain elevated, CVE will likely see impressive earnings growth and margin expansion.

Upbeat 2022

Cenovus has had massive financial growth so far in 2022. In the last nine months, it reported free cash flows of \$6 billion compared to \$2 billion in the same period last year.

And apart from earnings growth, Cenovus' deleveraging was noteworthy and pleased investors. So far in 2022, the company has repaid more than \$4 billion of debt, which has substantially increased its balance sheet strength.

Notably, Cenovus still has a cash hoard, which will likely be used for shareholder returns. As the debt

goes down, the company's profits will likely be higher next year.

This has been the theme across energy producers amid this energy rally. They are sitting on excess cash even after allocating enough for future capital expenses. So, upstream companies have chosen to repay debt and get in better financial shape. And they have been immensely successful in maintaining this capital discipline so far.

Acquisitions

In August 2022, Cenovus Energy acquired the remaining 50% stake in the Ohio-based Toledo refinery. The full ownership of the Toledo refinery will likely bode well for its business, given the integration of refining capabilities and heavy oil production. The transaction brought Cenovus' total refining capacity to 740,000 barrels per day.

In June 2022, Cenovus also acquired an outstanding 50% stake in Sunrise oil sands assets. Sunrise currently produces 50,000 barrels per day.

Outlook for 2023

Cenovus bought back nearly 118 million shares at a weighted average price of \$21 so far this year, probably explaining why the stock took support at those levels a couple of times.

As the number of outstanding shares lowers, the company's per-share earnings automatically increase, and dividend outflow reduces. It renewed the share repurchase program last week. So, whenever CVE stock faces large drawdowns, this buyback plan might create a short-term spurt.

Higher oil prices will likely keep driving its earnings growth next year as well. So, investors can expect more deleveraging and steep shareholder returns going into 2022.

Valuation

CVE stock is currently trading at a [free cash flow yield](#) of 16% and 11x earnings, in line with its peers' average. So, CVE stock could continue to trade strong next year as well on the back of its improving balance sheet and rallying oil prices.

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