



Top Canadian Energy Stock to Own

Description

In 2021 and beyond, **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) appears set to remain focused on supporting the company's industry-leading cost structure, while ensuring [disciplined capital investment](#) and deleveraging the company's balance sheet. Cenovus appears to have budgeted about \$2.1 billion in sustaining capital to deliver upstream production of approximately 755,000 barrels of oil equivalent per day and downstream throughput of approximately 525,000 barrels per day.

Committed to allocate free funds flow to reduce net debt

Further, Cenovus appears to remain committed to continuing to allocate free funds flow to reduce the company's net debt to less than \$10 billion, with a longer-term target to get the company's net debt down to \$8 billion or below. This would significantly lower the risk of investing in Cenovus's stock.

Achieving net zero emissions by 2050

Also, Cenovus is very focused on world-class safety performance and environmental, social and governance (ESG) leadership. This includes an ongoing commitment to [transparent performance reporting](#) as well as Cenovus's ambition to achieve net zero emissions by 2050 and a plan to set ambitious new ESG targets for the combined company later in 2021.

Decisive steps during an incredibly challenging economic environment

The resilience and adaptability of Cenovus's staff were fundamental to the company's performance in 2020. The efforts of its employees and the decisive steps that the company took during an incredibly challenging economic environment in fiscal 2020, ensured that Cenovus is even stronger today than it was a year ago. Executive management also appears to be extremely optimistic about the company's future.

Navigating uncharted territory in 2020

Cenovus skillfully navigated uncharted territory in 2020 as the oil and gas industry faced persistently unstable commodity prices and jittery capital markets throughout much of the year. With weakening oil prices arising from the Saudi-Russia price war and the reduction in energy demand due to the COVID-19 pandemic, management responded quickly to get ahead of the deteriorating economic environment early in the year.

Strategically leveraging low-cost, low-decline assets and a highly capable workforce

Furthermore, Cenovus reduced capital and operating plans to preserve liquidity, while also strategically leveraging the company's low-cost, low-decline assets and a highly capable workforce to maintain safe and reliable operations. Cenovus also took swift and appropriate measures to protect the health and safety of the company's workers and the continuity of the company's business in response to the pandemic.

Strategic advancements

In the latter half of 2020, the organization strategically advanced the combination of Cenovus with Husky Energy, successfully closing the transaction on January 1, 2021. The combination was the result of extensive due diligence on the part of the leadership team with a high level of governance and oversight by the board of directors.

Careful analysis of potential synergies

The recommendations and conclusions put forth by Cenovus's board while the combination with Husky was being considered were made thoughtfully, with the best interests of shareholders top of mind. Cenovus weighed the anticipated benefits and inherent risks of proceeding, conducted a thorough review of the financial health of both companies and carefully analyzed the potential synergies. Thus far, the acquisition appears to be a huge success.

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