



Why Cenovus Stock Is an Excellent Buy Right Now

Description

The markets have been rocky of late, to say the least. Volatility has picked up, with a growth-to-value rotation somewhat stalling, as bond yields continue to fall in recent weeks. For investors in the energy sector and top-notch plays like **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) stock, the question is, will [value](#) or growth prevail?

After all, Cenovus continues to hold tremendous value relative to hyper-growth stocks with astronomical valuations.

After the dismal financial year of 2021, energy stocks have been on an upward trajectory. However, at the same time, a prevalent question that looms around investing in such stocks is whether they can outperform in the long run.

Since interest rates are low, and growth stocks have been on a nice ride, the key here is diversification. The energy sector is one such segment that offers great value and holds potential.

In this regard, let's look at Cenovus stock as a potential option.

Cenovus stock is moving in the right direction

The third-largest oil and gas producer in Canada is certainly making all the financial decisions to move in the right direction. Indeed, the company has bolstered its balance sheet by lowering its net debt. According to a recent report, Cenovus Energy is planning to reduce its net debt by \$800 million to \$1 billion throughout the remaining three quarters of this financial year. That's great news for long-term investors.

Accordingly, Credit Suisse analyst Manav Gupta has indicated additional moves could be on the horizon. Cenovus has further divestiture opportunities in regards to the company's Husky Energy assets

it acquired last year. Additionally, improvement in many of Cenovus's heavy oil assets have increased their value of late. This is bullish for Cenovus.

I think Cenovus could continue to outperform from here. Should analyst expectations of free cash flow materialize, Cenovus could be trading at a 17-18% free cash flow yield this year and next. That's dirt cheap. Accordingly, I think many value investors will continue to raise their target prices for Cenovus stock to align closer to where analysts see this stock getting. Indeed, it appears there's some real value with Cenovus stock at these levels.

Bottom line

Cenovus stock is certainly an intriguing one to consider in this environment. The company offers a degree of portfolio diversification and value that's hard to find today. Indeed, finding a stock trading at a [forward price-to-earnings ratio](#) of eight isn't easy today.

However, this isn't a stock without risk. The company's triple-digit revenue growth is likely to flatline at some point, given the new base investors will be comparing Cenovus to. Accordingly, massive earnings growth in 2022 and beyond isn't likely in my view.

That said, Cenovus stock remains one of the few fairly valued stocks on the market right now. That says something, and investors ought to take notice.

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