



FEATURED OPTIONS RADAR REPORT



Bulls Target Canadian Oil Producer with Improved Balance Sheet, Synergy Upside

Ticker/Price: CVE (\$15.50)

Analysis:

Cenovus Energy (CVE) buyer of 2,500 January 2024 \$12 ITM calls for \$6.40 this morning, shares consolidating nearing a multi-week breakout. CVE volume is trading over 4,950X on the day now and has been a quiet name for flows in 2022 but still has a lot of January ITM calls at the \$10 and \$12 strike from buyers in June and July 2021. The narrow consolidation since January is tracking just below \$16.25 with a move higher targeting \$18-\$20 and continuation of the nice trend from the pandemic lows. The \$31.4B company trades 6.1X earnings, 0.87X sales, and 12.65X FCF with 1% short interest and a small yield. CVE produces crude oil, natural gas and NGL in North America with a focus on the Oil Sands in Alberta. They became the third largest Canadian oil and gas producer last year after their combination with Husky, a deal that expanded their scale with conventional and offshore businesses and gave them more contiguous acreage and resources. CVE has been focusing on debt reduction and refinancing bonds and announced a \$660M asset disposal in November, specifically the Husky retail fuels network, and in December their Tucker thermal assets for \$800M. They have achieved over \$1B in synergies since the deal closed. CVE views 2022 as a big opportunity to grow FCF, return capital to shareholders (they see room for 4X dividend growth over time), and position themselves well as a cost-efficient producer at a time when energy demand is surging. Analysts have an average target for shares of \$19.50 with a Street High \$28. MSCO with an Overweight rating noting that they like CVE's potential for free cash flow growth and margin expansion as they integrate Husky assets and cuts costs in 2022. Hedge fund ownership fell 4% last quarter. Soroban Capital a buyer of 10.8M shares.

Hawk Vision:



Hawk's Perspective: CVE is a strong setup and easy to position versus the 21-EMA and lower March value range for a quick breakout to new highs

Confidence Ranking: \$\$