

EnCana Corporation
Energy - Oil & Gas

(ECA-N,T)[US\$] 1-Year Target: \$61.50
13Apr07: \$54.05 1-Year ROR: 15.3%

Div. (NTM): \$0.80 Div. (Current): \$0.80 Rating: 2-Sector Perform
Yield (Current): 1.5% Risk: Medium

Qtly CFPS (FD) (Next Release: 25-Apr-07)

	Mar	Jun	Sep	Dec	Year
2004A	\$1.07A	\$1.22A	\$1.46A	\$1.60A	\$5.32
2005A	\$1.56A	\$1.76A	\$2.20A	\$2.88A	\$8.35
2006A	\$1.96A	\$2.15A	\$2.30A	\$2.18A	\$8.56
2007E	\$2.10	\$2.24	\$2.49	\$2.81	\$9.63

Industry Specific

	2005A	2006A	2007E	2008E
Oil Price (WTI, US\$/bbl)	\$56.70	\$66.25	\$62.45	\$59.50
Nat Gas (Nymex, US\$/mmBtu)	\$9.01	\$6.98	\$8.00	\$8.00
CFPS Sens to US\$/bbl WTI		\$0.05		
CFPS Sens to US\$/mcf Nymex		\$0.61		

Capitalization

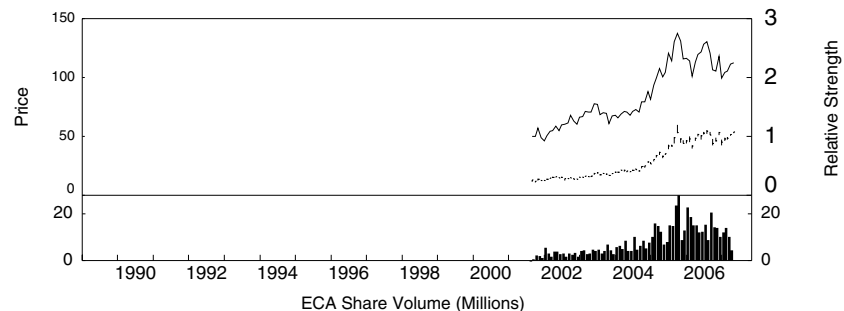
Shares O/S (M)	777.9
Total Value (\$M)	42,046
Float O/S (M)	777.9
Float Value (\$M)	42,046
TSX Weight	3.22%

Control Blocks

Widely Held

IBES Estimates

CFPS 2007E	\$9.25
CFPS 2008E	\$9.68



Source: Global Insight, Inc.

Valuation: 8.9x 08E debt-adjusted CF (8.0x CFPS) at mid-cycle prices.

Net Asset Value: \$42.11

Financial Analysis

December-31	2002A	2003A	2004A	2005A	2006A	2007E	2008E	02-06 Average	06-08 Growth
Per-Share Data (FD)									
Earnings			\$2.11	\$3.64	\$3.91	\$4.61	\$4.24		4.1%
Cash Flow			\$5.32	\$8.35	\$8.56	\$9.63	\$9.57		5.7%
Dividends			\$0.20	\$0.28	\$0.40	\$0.80	\$0.80		41.4%
Shares O/S (M)			921.2	854.9	777.9	734.7	714.7		-4.1%

Valuation & Returns

Debt-Adj CF Multiple			6.3	6.0	5.7	6.2	6.7		
Price/Earnings			13.5	12.4	11.8	11.7	12.7		
Price/Cash Flow			5.4	5.4	5.4	5.6	5.6		
ROACE			11.4%	16.0%	15.1%	15.9%	13.7%		
CROCI			15.2%	24.0%	25.8%	23.1%	19.4%		

Production

Prod-Oil(mmbbl/d)			265	227	155	138	157		0.6%
Prod-Nat Gas (mmcf/d)			2,968	3,227	3,367	3,460	3,585		3.2%
Prod-Equiv(mboe/d)			760	765	716	714	754		2.6%
Equivalent Growth			17%	1%	-6%	0%	6%		
Natural Gas (%)			65%	70%	78%	81%	79%		

Free Cash Flow

Operating Cash Flow			\$4980.0	\$7426.0	\$7161.0	\$7287.9	\$6991.7		
Net Cap Exp			\$4238.0	\$4741.0	\$3403.0	\$5600.0	\$6400.0		
Free Cash Flow			\$742.0	\$2685.0	\$3758.0	\$1687.9	\$591.7		

Financial Leverage

Long-Term Debt			\$7742.0	\$6703.0	\$6577.0	\$7712.2	\$8700.2		15.0%
Net Working Capital			\$558.0	\$-1267.0	\$11.0	\$11.0	\$11.0		0.0%
Preferreds			\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		
Average Net Debt			\$6,558	\$7,577	\$7,268	\$7,134	\$8,195		6.2%
Net Debt/(Net Debt+Eq)			33%	33%	27%	33%	35%		
Debt/Cash Flow			1.3	1.0	1.0	1.0	1.2		9.5%

Company Profile

Credit Ratings: S&P: A-

EnCana is one of the largest independent producers in the world, with 2006 natural gas production of 3.4 bcf/d, accounting for over three-quarters of its 715,871 boe/d of production (after royalties). Production flows from Western Canada and the U.S and the company's crude oil portfolio includes thermal (SAGD) bitumen production in northeast Alberta. EnCana pays a dividend of US\$0.80/shr, follows a full-cost accounting policy, and trades under the ticker ECA on both the TSX & NYSE.

Business Mix (Based on revenues unless otherwise noted)

Production: 22% Crude Oil, 78% Natural Gas; Earnings: 100% Upstream

Performance Drivers

Commodity prices, production growth, USD/CAD exchange rate

Comparable Companies (TSX unless otherwise noted)

CNQ, DVN-N

Recent Update

Text as of 15FEB07

- EnCana reported fourth quarter operating EPS (D) of US\$0.84 and CFPS of US\$2.18 - ahead of our estimates of US\$0.78 and US\$2.01, respectively, and more in line with Street consensus of US\$0.85 and US\$2.09, respectively.
- There was a time when the release of EnCana's quarterly results was sure to invoke noticeable volatility in the company's share price, but such is not the case these days. Indeed, EnCana's fourth quarter results contained few surprises.
- We maintain a 2-Sector Perform rating on EnCana and one-year target price of US\$60.00 per share.

Greg Pardy, MBA, CFA (403) 213-7349
greg_pardy@scotiacapital.com