



## What to Expect When Suncor Reports

### Description

Top Canadian oil producer, **Suncor Energy** ([TSX: SU](#)) (NYSE: TSX) is out with earnings on Oct. 30. Let's take a closer look at what we should look for when it reports.

### What do analysts want to see?

Analysts currently estimate that Suncor will turn in earnings of \$0.81 a share on revenue of more than \$11 billion. If history is our guide, Suncor will either exceed or miss that number by more than 10%. In the past four quarters it has missed estimates twice and beat it twice. Analyst estimates have been a guess, at best. However, if the company does actually meet earnings estimates it would represent a \$0.04 drop from the year ago quarter.

That said, quite honestly, earnings numbers for an oil company can be meaningless. These numbers are typically impacted by one-time items like gains from hedging oil and gas exposure or temporary hits due to infrastructure issues or the weather. That's why it's important for investors to drill down past the headline numbers when Suncor reports.

### If history is our guide

For example, last quarter's earnings were just \$0.62 per share, which was down by \$0.18 per share from the prior year. Planned maintenance, production constraints, and flooding in northern Alberta all put pressure on earnings in the last quarter. Further, while the headline earnings number represented \$934 million in operating earnings, Suncor actually delivered \$2.25 billion or \$1.49 per share in cash flow from operations. Investors often miss that oil and gas companies typically have much higher cash flow than earnings would seem to indicate.

### What should we be looking for instead?

At this point, we already should have a pretty good idea how Suncor's quarter will shape up. Peers like **Cenovus** ([TSX: CVE](#)) ([NYSE: CVE](#)) and **Husky** (TSX: HSE) already reported that higher oil prices drove the quarter. For Cenovus that meant a 40% boost in its operating cash flow in the quarter. [Husky's cash flow was up a more modest 6%](#). However, at the same time both integrated oil

companies saw refining margins shrink. In Cenovus' case its refining cash flow plunged by 75%, while Husky was also hurt by lower refining margins. Suncor investors should be on the lookout for deviations of that storyline.

The other important area to watch is if Suncor's view of the future has changed at all. We already know that it sold the majority of its natural gas business in the quarter. That billion dollar sale will show up in its earnings release. Investors will want to pay attention to what Suncor sees next. Are there any changes to its outlook? Are any future projects being delayed? These are questions investors should keep in mind when Suncor's earnings hit the wire.

### Investor takeaway

As long-term investors we are more concerned with the long-term outlook than the short-term earnings number. We know that quarterly earnings are just a brief checkup on our long-term journey. So be sure to tune in to Fool Canada after Suncor's earnings are released for our take on the numbers that matter for long-term investors.

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*Fool contributor Matt Dilallo does not own shares of any companies mentioned. The Motley Fool has no positions in the stocks mentioned above at this time.*

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1. Investing

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