



A Look at Suncor's Bright Third-Quarter Earnings

Description

Suncor Energy ([TSX: SU](#))([NYSE: SU](#)) reported really solid third-quarter results. The company delivered record oil sands production and made a significant step forward to increasing its profitability. Let's take a closer look.

A closer look at the numbers

Suncor reported net earnings of C\$1.694 billion or C\$1.13 per share, which easily exceeded [analyst estimates](#) of \$0.81 per share. The company has a history of being tough to estimate, so this really isn't that much of a surprise.

The number that really shined in the quarter was cash flow from operations. Suncor delivered C\$2.5 billion or C\$1.69 per share. That's about \$250 million more than it delivered last quarter. However, cash flow still declined year-over-year by about \$250 million due to higher income tax expenses.

Finally, the company's earnings were positively impacted by the sale of a significant portion of its natural gas assets in Western Canada. Suncor received \$1 billion in net proceeds, which led to an after-tax gain of C\$130 million.

Production update

Suncor really shined in the oil sands this past quarter. The company delivered record production of 396,400 barrels per day, up 16% year-over-year. That helped boost overall production to 595,000 barrels of oil equivalent per day, which is up from the 535,300 barrels of oil per day it produced in the third quarter of last year.

Two big factors fueled Suncor's production rise in the quarter. The company benefitted from the ongoing ramp up of production at its Firebag in situ project as well as infrastructure debottlenecking.

Suncor also delivered solid production out of its East Coast Canada assets. Planned maintenance was significantly less than in prior quarters. Without anything holding it back, Suncor was able to dedicate its efforts to producing as much oil as it could.

Looking ahead

In the near-term, Suncor does see some clouds over its fourth-quarter production. Continued unrest in Libya, planned outages at Syncrude and the sale of its Western Canadian natural gas assets are dimming its production guidance. The company sees daily production in a range of 545,000 to 590,000 barrels of oil equivalent per day, which is down from prior estimates of 570,000 to 620,000 barrels of oil equivalent per day. The company is also trimming out C\$300 million from its previously planned C\$7 billion capital budget. None of these issues are a major concern.

Looking even further ahead, Suncor and its partners **Total** and **Teck Resources** unanimously voted to proceed with the Ford Hills oil sands project. The C\$13.5 billion mining project should begin to deliver its first oil in 2017. The project will be operated by Suncor, which has a 40.8% interest in the project. Total's interest is 39.2% and Teck Resources has the final 20% interest in the project. Stay tuned to Fool Canada for more on this important project.

Investor takeaway

Overall, Suncor delivered a very solid quarter. The company delivered record production out of the oil sands and very solid cash flow. With the company moving forward on new projects like Fort Hills, it's easy to see a bright future for Suncor.

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Author

mdilallo

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