



## Should You Buy Suncor Energy Inc. Today?

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), one of world's largest integrated energy companies, announced first-quarter earnings results after the market closed on April 29, and its stock has fallen over 7.5% in the trading sessions since. Let's take a closer look at the results to determine if we should consider using this weakness as a long-term buying opportunity, or if we should look elsewhere for an investment instead.

### A lackluster first-quarter performance

Here's a summary of Suncor's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	(\$0.24)	\$1.01
Gross Revenues	\$7.39 billion	\$10.48 billion

Source: Suncor Energy Inc.

In the first quarter of fiscal 2015, Suncor reported a net loss of \$341 million, or \$0.24 per share, compared with a net profit of \$1.49 billion, or \$1.01 per share, in the same quarter a year ago, as its gross revenues decreased 29.5% to \$7.39 billion. These weak results can be attributed to the steep decline in commodity prices in the last 12 months, which led to Suncor's average realized selling price decreasing 49.1% to \$47.67 per barrel of oil equivalent in its oil sands segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Total production increased 10.5% to 602,400 barrels of oil equivalents per day
2. Suncor's share of Syncrude production increased 0.3% to 35,200 barrels per day
3. Refinery crude oil processed decreased 1.1% to 437,100 barrels per day
4. Revenue decreased 29.6% to \$4.76 billion in its refining & marketing segment

5. Revenue decreased 41.3% to \$2.28 billion in its oil sands segment
6. Revenue decreased 46.6% to \$769 million in its exploration & production segment
7. Cash operating costs per barrel decreased 20.2% to \$28.40 per barrel in its oil sands segment
8. Operating earnings decreased 90.2% to \$175 million
9. Cash flow from operations decreased 48.8% to \$1.48 billion
10. Free cash flow decreased 73.5% to \$856 million

Suncor also announced that it will be maintaining its dividend of \$0.28 per share in the second quarter, and it will be paid out on June 25 to shareholders of record at the close of business on June 4.

### **Should you buy shares of Suncor on the dip?**

It was a very weak quarter for Suncor, so I think the post-earnings weakness in its stock is warranted. However, I also think it has led to an appealing long-term buying opportunity.

First, I think crude oil prices will move back towards about \$75 per barrel within the next 12 months, leading to higher profitability and sales for Suncor. This will also lead to higher demand for shares of energy companies.

Second, Suncor's stock trades at just 18.4 times fiscal 2016's estimated earnings per share of \$2, which is very inexpensive compared with its long-term growth potential. Also, as commodity prices recover, I think this earnings estimate will move significantly higher.

Third, Suncor pays a quarterly dividend of \$0.28 per share, or \$1.12 per share annually, giving its stock a 3.05% yield at current levels. The company has also increased its annual dividend payment for five consecutive years, and as long as oil prices recover over the next 12 months, I think this streak could continue for the next several years.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Suncor's stock to begin scaling in to long-term positions.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

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2. TSX:SU (Suncor Energy Inc.)

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