# The 3 Biggest Takeaways From Suncor Energy Inc.'s Latest Results

## Description

**Suncor Energy Inc.** (TSX:SU)(NYSE:SU) announced its fourth-quarter results after the markets closed on Wednesday. Below are the three biggest takeaways from the release.



### 1. Missed expectations

Suncor reported an operating loss of $0.02 per share, falling $0.12 short of analyst estimates. In retrospect, this shouldn't be so surprising because **Imperial Oil Limited** also reported disappointing results earlier this week. It seems that analysts have generally underestimated the impact of falling oil prices on corporate earnings.

Suncor's operating loss comes despite some very solid metrics for the quarter. Operating costs per barrel in the oil sands fell to $28, and total upstream production increased to 582,900 barrels per day. Reliability and cost-reduction targets for the year were easily surpassed.

In fact, investors seemed quite all right with Suncor's results as the company's stock price increased in response. Granted, this was on a day when oil prices rose, but it's become clear that these kinds of numbers are expected in Canada's energy patch.

### 2. A reduced budget

Suncor's executives like to say that they take a long-term view and with oil prices so depressed, now is the time to spend. Yet at the same time, the company reduced its capital budget for 2016 to a range of $6-6.5 billion.

Reduced capital budgets are nothing new in the energy sector. But this is a budget that was set only two and a half months ago. Thus, it's pretty obvious what is going on: Suncor is cutting its budget in the face of further deteriorating oil prices. Clearly, there is no company that is immune to the downturn, not even Suncor.

That said, the decision is a strange one for Suncor. The company just agreed to a $4.2 billion takeover of **Canadian Oil Sands Ltd.**, a move that was meant to take advantage of low oil prices. Now all of a sudden, Suncor is dialing back again.

**3. Some big asset write-downs**

In addition to the small operating loss, Suncor incurred $1.6 billion worth of impairments that are primarily related to its overseas operations.

As more oil companies report earnings, you should expect to see more such impairments. This could create a real problem for companies with high debt levels, because it increases the likelihood that covenants will be breached. If you own stocks in any of these companies, then Suncor's results should be a clear warning.

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1. Energy Stocks
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