3 Remarkable Numbers a Suncor Energy Inc. Investor Won’t Want to Miss

Description

Suncor Energy Inc.’s (TSX:SU)(NYSE:SU) recent third-quarter earnings report was excellent. The company trounced analysts’ expectation, earning $0.21 per share when they only thought it would earn $0.07 per share. It did this despite the fact that oil prices remain weak. Here are three numbers that showed just how strong the Canadian oil sands giant’s results were this quarter.

Cash flow from operations: $2.025 billion

While crude oil prices rebounded sharply in the third quarter compared to earlier this year, they were still a few dollars below their average in the third quarter last year. Despite those weaker prices, Suncor Energy generated 7.6% more cash flow than last year, bringing in a total of $2.025 billion.

Several factors fueled that healthy cash flow. Not only has the company increased its stake in Syncrude, but it has improved the performance of that venture. Further, its refining and marketing segment turned in a record quarter for throughput. Add in lower costs, a reduction in taxes, and higher production, and it was the formula for substantial cash flow generation.

Oil sands operating costs per barrel: $22.15 per barrel

Off all the factors that contributed to Suncor Energy’s stronger cash flow, the improvement in its oil sands operating costs is one that investors cannot overlook. During the quarter it cost the company just $22.15 per barrel to produce oil from its oil sands assets. That is down 18% from the $27 per barrel it cost the company to produce oil in the year-ago quarter. In fact, its operating expenses during the quarter were the lowest in over a decade.

Cash costs at Syncrude are especially noteworthy at just $27.65 per barrel. That is well off the $41.65 per barrel in the year-ago quarter and also at the lowest point in nearly a decade.

Syncrude upgrader reliability: 98%

One reason why Syncrude’s costs were so low is due to a significant improvement in the reliability of its upgrader. In the year-ago quarter, the upgrader reliability was just 67%, though that was partially due to the impact of a fire. This quarter, however, Suncor Energy and its partners improved the facility's reliability to 98%–its highest in over nine years.

Improving the reliability of Syncrude's upgrader has been a crucial goal of Suncor and a reason why it has spent billions to increase its stake in the entity in hopes of pushing for change. Over the past five years, the facility's utilization had slipped from the 83% in 2011 to a low of 70% last year, which was pushing up the facility's cost per barrel.

However, by identifying production constraints and executing on an improvement plan, Suncor Energy and its partners have significantly improved the reliability and therefore have driven down costs. As a result, Syncrude is much more profitable at lower oil prices than it would have otherwise been.

Investor takeaway

Suncor Energy's ability to improve the reliability of its oil sand assets is helping drive down its operating costs. That is enabling the company to make more money despite the fact that oil prices are still low. Because of this, the company has the potential to generate a substantial amount of cash flow as prices continue to rebound off the bottom.

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