



## Suncor Energy Inc. Continues to Grow in Q2 Earnings and Is a Definite Buy

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) released Q2 earnings on Wednesday, showing yet another profitable quarter — the fourth in succession. Suncor recorded revenues of \$7.2 billion in Q2, up year over year by over 22%. Total earnings for the quarter were \$435 million for earnings per share of \$0.26. A big reason for that was that the company's oil sands produced 200,000 more barrels per day than a year ago, almost doubling production. However, the Fort McMurray fires last year were a big reason for 2016's lower production totals, as operations were shut down during that time.

### Segment analysis

Suncor's oil sands segment had just under \$2.5 billion in sales for the quarter, more than double the previous year. However, the segment was not able to turn a profit and incurred a loss of \$277 million, although that was still an improvement from a loss of over \$1 billion last year. On a year-to-date basis, the segment was able to record a profit of \$25 million, up from a loss of \$1.5 billion a year ago.

The exploration and production segment saw a 26% increase in net revenue from \$579 million a year ago to \$731 million in 2017. The segment contributed \$182 million in operating earnings, or seven times the \$26 million in earnings it posted a year ago. Production in this segment was also up to 125,500 barrels per day, an increase of over 6% from last year.

The refining and marketing segment totaled revenues of \$4.7 billion and was up just 3% year over year. This segment actually showed a decrease in profitability with earnings of \$346 million in 2017 compared to \$689 million in the prior year.

### Cost per barrel is down

Suncor has been committed to cost-cutting initiatives. As a result of that and economies of scale from more production, Q2 saw a operating cost per barrel of just \$27.80 compared with \$46.80 from a year ago. These costs suggest that even as oil declines, Suncor may still be able to turn a profit from its operations, although it will need to continue at similar production levels to achieve the same economies.

## Stock performance and valuation

Year to date, Suncor's stock has declined by over 11%, but in the past 12 months, it has netted a gain of 8%. With the company's trailing 12 months now showing a profit of \$2.7 billion, the earnings per share for the company are now up to \$1.63 (previously they were \$0.92). With a price of just under \$39 as of the end of Wednesday, that would make Suncor's price-to-earnings multiple improve to just 23, which is down from the 43 times earnings that it was trading at before the Q2 results.

The company is also trading at just 1.4 times book value, which is a low multiple for a company of Suncor's size and strength. The relatively low multiples that Suncor is trading at should make it an appealing investment to many value investors. There is also something for dividend investors, as the stock currently pays dividends quarterly for an annual yield of 3.28%. Suncor also has a good track record of regularly increasing dividends as well — normally by at least 20% per year.

## Bottom line

There is something for every investor here — something everyone can like about Suncor's stock. It is a solid investment on all angles, and although it may not provide the greatest returns (27% over the past five years), it provides stability, growth, and a good dividend. The stock has a mix of many good attributes which make it an appealing investment for just about anyone.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

## Tags

1. Editor's Choice

### Date

2025/09/02

### Date Created

2017/07/27

### Author

djagielski

default watermark

default watermark