Suncor Energy Inc. Posts a Profit in Q2: Is it Time to Buy This Energy Giant?

Description

Suncor Energy Inc. (TSX:SU)(NYSE:SU) is Canada's largest integrated energy company. It has a significant presence in upstream oil sands operations and downstream refining and marketing operations.

On July 26, Suncor reported a profit for its 2017 second quarter.

Indeed, the company reported a net profit of $435 million, or $0.26 per share, compared to a loss of $735 million, or $0.46 per share, during 2016 second quarter, when forest fires in northern Alberta caused a loss in production.

Suncor was able to earn a profit last quarter due to stronger crude oil prices and increased production from some upstream assets and refining operations.

Suncor's operating profit, which excludes one-time items, was $199 million, or $0.12 per share. A year ago, it showed a loss of $565 million, or $0.36 per share.

Refinery throughput improved to 435,500 barrels per day (bpd) in the second quarter of 2017 from 400,200 bpd in the prior year quarter due to lower planned maintenance and more crude availability.

For the quarter ended June 30, Suncor produced a total of 539,100 barrels of oil equivalent per day (boepd) in the second quarter, which is 208,400 more that the boepd that were produced in the same period last year.

The company produced 352,600 bpd from the oil sands in the second quarter compared to 177,500 bpd during the same period in 2016 when the forest fires were raging.

Suncor said output was impacted by a major turnaround at its Firebag oil sands project, and the return to full production taking longer than expected.

Production was also impacted by problems at the Syncrude plant, which is majority owned by Suncor. Syncrude has been running at a reduced pace since March due to a fire, but it should return to normal operating rates very soon.

To reflect increased costs at the Syncrude plant and after speeding up work at its Fort Hills oil sands project, Suncor raised its 2017 capital budget to $5.4-5.6 million from $4.8-5.2 million.

Suncor announced on July 27 that French oil giant **Total SA** has cut off funding for the Fort Hills project, which is owned 50.8% by Suncor, 29.2% by Total and 20% by mining firm **Teck Resources**.

Total said that the company wasn’t prepared to accept a substantial cost increase at the project.

Fort Hills is more than 90% complete, and Suncor stated that it does not expect the project’s planned start date later this year to be impacted by the dispute with Total.

Hebron, Suncor’s offshore drilling project in the Atlantic, is also expected to start producing oil by the end of this year.

The company expects full-year oil sands operating costs to be between $23 and $26 a barrel from a previous forecast of $24-27 a barrel because of lower natural gas and maintenance costs.

During the quarter, Suncor bought back $300 million worth of its own shares. The company intends to buy back $2 billion worth of shares over a 12-month period.

On July 27, the company announced a quarterly dividend of $0.32 per share, which amounts to an annual dividend of $1.28 per share. With its 10% year-over-year increase in dividends, Suncor’s stock is currently yielding 3%, which is the highest dividend yield among oil sands peers.

Furthermore, it has had a consistent dividend payout for the past 15 consecutive years.

Suncor’s integrated business model and low production costs help the company withstand volatility in crude prices.

I think it’s a good time to buy some shares of Suncor. Its share price has been rising for a few days, and it’s about to go past its 52-week high.

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sbchateauneuf