Suncor Energy Inc. Has a Strong Q3 as it Continues to Drive Down Costs

Description

Suncor Energy Inc. (TSX:SU)(NYSE:SU) released its third-quarter earnings on Wednesday, which saw the company post $8 billion in revenue, which is an increase of over 8% from the prior year. Net income was $1.2 billion and more than triple the prior year's profit. Per-share earnings were $0.78 for the quarter — a significant improvement from the $0.24 the company achieved in 2016.

Let's take a deeper look at the financials to see what drove this strong quarter and if the stock is a good buy today.

Record production and increased oil prices helped drive revenue growth

In Q3, Suncor saw its upstream production reach 739,900 barrels per day as a result of increased activity in its oil sands operations. The company was able to also realize higher crude oil prices than a year ago, which also boosted its overall revenue.

The company achieved a record in refined crude with daily throughput of 466,800 barrels of oil, which was up from last year's average of 465,600.

In addition, production for the company's exploration and development segment totaled 111,500 barrels per day, which was slightly up from the 110,600 that was produced daily last year.

Operating costs per barrel in the oil sands continued to improve

In its oil sands operations during the quarter, Suncor was able to achieve a cash operating cost per barrel of just $21.60 — more than a 2% improvement over the $22.15 it averaged a year ago. The company was able to achieve these improvements, even despite an increase in planned maintenance in the past quarter as a greater utilization of its assets helped drive the overall savings.

Financing income gave earnings a boost

Suncor saw a $441 million gain on foreign exchange this past quarter, while in the prior year the company incurred a loss of $121 million. In addition, interest expenses of $36 million were more than cut in half from the $90 million that was incurred a year ago.

In total, financing income of $323 million resulted in an improvement of $611 million from last year's net financing expense of $288 million.

With these changes, income before tax of $1.677 billion was more than five times the $326 million that Suncor recorded a year ago. Even without the impact of financing income and expense, the improvement would still be an impressive 120%.

Suncor continues to put together strong results

The company has now posted a positive net income for five straight quarters, and in Q2 the company saw an impressive 22% improvement in revenue. Suncor has continued to create efficiency and find ways to be profitable despite a low price of oil.

Is the stock a buy?

Suncor's ability to not only weather the storm, but to rise above a struggling landscape, where we've seen oil prices cut in half in just three years, and where many companies have recently gone out of business, is nothing short of impressive. If Suncor is able to do this well now, just imagine the upside the stock could see if oil prices are able to recover.

Certainly, there is still the risk that oil prices could decline further, but Suncor has shown that it is able to adapt and find ways to not only be competitive, but produce very strong results. The stock is a great long-term buy that could yield great returns for investors.

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