



Suncor Energy Inc. Jumps on Q3 Results: Time to Buy?

Description

Key members of the Organization of Petroleum Exporting Countries (OPEC) are rumoured to be mulling a nine-month extension of a production cut with a March 2018 deadline. The OPEC meeting is set for November 30, and as oil continues to show strength, it may be time for investors to take notice.

In early October, we [covered](#) the Energy East cancellation and whether this was a bad sign for the Canadian oil and gas industry. Oil has been on solid ground since late June, with its spot price rising by double digits as of morning trading on October 30.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) released its third-quarter results on October 25. The company saw its net earnings jump to \$1.28 billion, or \$0.78 per share, compared to \$392 billion, or \$0.24 per share in Q3 2016.

Another big story was upstream production; Suncor set a quarterly record of 739,900 barrels of oil equivalent per day compared to 728,100 the previous year. Oil sands operations recorded production of 469,300 barrels per day in the third quarter in comparison to 433,700 in Q3 2016. Oil sands operations posted a decrease in cash operating costs as well, falling to \$21.60 per barrel from \$22.15 in the previous year.

Suncor CEO Steve Williams was enthusiastic about asset reliability in the third quarter. Some readers may recall Mr. Williams's comments in late September in which he was highly optimistic about the long-term health of the oil sands. He remains confident that the sector will show strength and adapt to expectations when it comes to reducing environmental impact.

The company also has inflows from the Hebron offshore project and the Fort McMurray Fort Hills mine to look forward to. Suncor reiterated its ambitions to bring both projects to first oil by the end of 2017 in its strategy update.

Suncor stock climbed 2.95% over the course of last week, as trading came to a close on Friday, October 27. Shares are still down 1.3% in 2017 and up 4.8% year over year. The stock offers a solid dividend of \$0.32 per share, representing a 2.9% dividend yield. After a strong earnings beat, and with oil prices rallying, is Suncor a buy?

The company remains one of the strongest energy options on the Toronto Stock Exchange. It boasts an attractive dividend with 14 consecutive years of dividend growth. But what about oil price volatility?

Results of the November 30th OPEC meeting should paint a helpful picture for investors in 2018. Whatever is decided, and an extension on the production cut appears likely, North American production will continue to ramp up. Experts and analysts expect the spot price to remain in the \$55 range by the end of 2018.

Tensions in the Middle East on multiple fronts could also generate upward momentum for oil. The U.S.-Iran dispute concerning the recently decertified nuclear deal raises the [possibility](#) that Iranian oil could be pushed out of the global market. However, U.S. Congress will have the final say, and there is no exact timeline on when or if the deal will ultimately be discontinued.

Is Suncor a buy?

Oil prices appear to be stabilizing and a positive result from the upcoming OPEC meeting should alleviate general concerns. Suncor has posted the kind of positive results not seen since before the oil crash. This is an attractive long-term add with a solid dividend to boot.

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