



Why Suncor Energy Inc. Fell 2.38% on Thursday

Description

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)), the largest integrated oil and gas company in Canada, announced its fourth-quarter earnings results and a dividend hike after the market closed on Wednesday, and its stock responded by rising 2.2% at the open of trading on Thursday, but it ultimately ended down 2.38%. Let's break down the results, the dividend increase, and the fundamentals of its stock to determine if we should consider using this weakness as a long-term buying opportunity.

A very strong quarterly performance

Here's a quick breakdown of 12 of the most notable statistics from Suncor's three-month period ended December 31, 2017, compared with the same period a year ago.

Metric	Q4 2017	Q4 2016	Change
Gross revenues	\$9,375 million	\$7,939 million	18.1%
Operating revenues, net of royalties	\$9,000 million	\$7,840 million	14.8%
Total revenues	\$9,041 million	\$8,141 million	11.1%
Funds from operations (FFO)	\$3,016 million	\$2,365 million	27.5%
FFO per share	\$1.83	\$1.42	28.9%
Discretionary free funds flow	\$1,672 million	\$1,375 million	21.6%
Operating earnings	\$1,310 million	\$636 million	106.0%
Operating earnings per share	\$0.79	\$0.38	107.9%
Net earnings	\$1,382 million	\$531 million	160.3%
Net earnings per share (EPS)	\$0.84	\$0.32	162.5%

Upstream production (barrels of oilequivalents per day)	736,400	738,500	(0.3%)
Refinery utilization	94%	93%	100 basis points

Dividend increase? Don't mind if I do!

In the press release, Suncor announced a 12.5% increase to its quarterly dividend to \$0.36 per share, and the first payment at the increased rate will come on March 26 to shareholders of record on March 5. The company proudly noted that this increase puts it on track for 2018 to mark the 16th straight year in which it has raised its annual dividend payment.

Should you buy Suncor's stock on the dip?

It was a fantastic quarter overall for Suncor, highlighted by record quarterly FFO, and it capped off a very strong year for the company, in which its total revenues increased 19.3% to \$32.18 billion, and its FFO increased 47.8% to \$5.50 per share when compared with 2016.

With the strong results above in mind, I think the market's initial reaction of sending the stock higher was correct, and I think the 2.38% drop was simply a result of overall weakness in the market. I also think the drop represents a very attractive entry point for long-term investors, because the stock now trades at just 22.8 times fiscal 2018's estimated EPS of \$1.82 and only 17.7 times fiscal 2019's estimated EPS of \$2.34, both of which are inexpensive given its significant growth potential [with oil prices](#) on the rise, and because it now has a juicy 3.5% yield to go with [its track record](#) of dividend growth.

With all of the information above in mind, I think all Foolish investors seeking exposure to the energy sector should consider using the post-earnings weakness in Suncor's stock as a long-term buying opportunity.

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