
# This Canadian Dividend Stock Is Absurdly Cheap After a 20% Plunge

## Description

It's very rare when you get a chance to buy a top-quality dividend stock that's selling cheap. But Canada's oil sector is offering some good opportunities to long-term income investors these days. In this group, I like **Suncor Energy** (TSX:SU)(NYSE:SU), Canada's largest producer in the oil sands.



Suncor stock has fallen more than 20% since last summer due to various negative developments for Canadian oil producers. The latest one came last month when the province of Alberta instructed producers to curtail production by 325,000 barrels a day in January and February to alleviate a glut that caused inventories to rise to 35 million barrels — about twice normal levels.

That move doesn't bode well for big producers, such as Suncor. "In the short term, the Government of Alberta action has resulted in winners and losers in the market, shutting in valuable upgrading throughput and has made transporting crude oil out of the province by rail uneconomic," the Calgary-based operator said in response to the government move.

Despite the output cut, Suncor intends to boost its average oil production by 10% over the course of the next year. It's hard to find winners and losers in this fluid situation in Canada's oil market, where pipeline capacity shortage has reached a crisis proportion. But if you want to take advantage of this recent pullback, then Suncor is the stock to consider.

## Suncor advantage

The biggest factor that makes Suncor different from other Canadian oil producers is its strong operational readiness to deal with any challenging environment.

Since the 2014 oil downturn, Suncor management has undertaken an aggressive cost-cutting program . During the past five years, Suncor's cost to dig a barrel of crude oil has been consistently falling. This is a huge achievement for an oil sands producer, which will always find it expensive to mine the commodity than producers who operate traditional fields.

With Canadian heavy oil prices surging from a $50 discount to West Texas Intermediate futures to less than $10 this month, Suncor stands to benefit from this improved pricing environment.

Another advantage of owning Suncor is that the company is a great diversification play in the Canadian oil sands. The company not only holds the largest reserves in the oil sands, but it also owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

## Bottom line

Trading at $42, Suncor stock has lost 22% from its August high. A price level close to $40 a share is a good level to buy Suncor for your long-term portfolio. Suncor has a solid history of rewarding investors with growing dividends. The company pays quarterly payout of $0.36 a share with a dividend yield of 3.47%.

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