



Dividend Investors: Suncor Energy Inc. (TSX:SU) Stock Is an Absolute Steal

Description

Just the thought of Alberta or Canada's oil patch is enough to make any investor cringe with disgust. You've probably read about the barrage of issues facing Canadian energy sector, and while there are few catalysts to get excited about with generic macro concerns to be worried about, there lies one of few oases in Alberta's heavy crude desert in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), an integrated oil firm that's "protected" its investors from the barrage of concerns that have hurt all but the most robust of oil companies.

It's been a while since I've written about Suncor. The last time I published a piece on Suncor stock had been following a big upward spike, inspiring me to issue a warning to Fools that the stock was [at high risk of suffering a massive correction](#). This is indeed what happened, as the stock became too hot, too fast, and shares eventually plunged 36% from peak to trough.

Suncor remained my favourite oil sands play because of its solid foundation and its sound financial footing. The stock's valuation, however, I thought was nothing short of absurd given the unrealistic assumptions and overexuberance placed on the premium name because of an oil rally that I thought was unsustainable.

"Exogenous factors that influence the price of oil will dictate when Suncor will be able to expand and unlock the real potential behind its assets. While Suncor may have upside with limited downside relative to its peers, I'd argue that you're paying [too] rich [of a] premium for this 'downside protection'," I'd said in a prior piece. "Suncor is at a multi-year high, while many of its 'riskier' peers are still +40% off from their highs before the 2014 plunge in oil."

Today, Suncor is a more palpable investment option for value investors at \$42 and change with a now more bountiful 3.41% dividend yield. The Canadian energy sector is still between a rock and a hard place, and while there's no reason to expect a sector-wide rally at any point over the medium term, I believe it makes sense for long-term investors to pick up the stock to be paid the slightly higher yield while they wait for the WCS-to-WTI valuation gap to slowly and steadily narrow. Sure, the gap will likely exist indefinitely, but the odds of a narrowing versus a further widening, I believe, is substantially higher over the next five years.

Foolish takeaway on Suncor stock

Suncor is a [premium dividend-growth](#) stock that'll continue rewarding patient investors. Today, the stock is trading at a slight discount to its intrinsic value. From a long-term perspective, Suncor seems like an even bigger bargain when you consider the "hidden value" behind the company's treasure trove of "land-locked" oil sands assets.

For the patient investor, you're not only getting the generous, growing dividend to go with a chance of profiting big-time from an oil relief rally, but you're also gaining exposure one of the safest commodity plays in Canada. It's this commodity exposure that'll allow your portfolio to gain a lower degree of correlation to the broader markets, as commodities are seen as an alternative asset class. For optimal portfolio management, this kind of alt exposure gains you bonus points over those who've ignored commodities entirely.

If you're content with buying a stock for the dividend and aren't too concerned about near-term gains, scoop up Suncor for your TFSA; otherwise you may want to look elsewhere, because Suncor is a name that'll reward only the most patient of investors.

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