



## Suncor Energy (TSX:SU) Stock Is Looking Mighty Good Right Now

### Description

Over the past five years, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) has been one of the best-performing energy stocks on the TSX. At a time when energy as a sector lost market cap, Suncor gained about 12%. Granted, the stock is still way down from its 2018 high. But with a relatively cheap valuation, a high dividend yield and strong dividend growth, it is one of the best bargains in the energy sector.

Recently, Warren Buffett made headlines by [initiating a new position in Suncor](#)—a stock he has bought and sold several times in the past. The late 2018 correction made the stock very cheap, so it's no surprise that the king of value investing would take a position.

That said, Suncor has a lot more going for it than just a comparatively cheap price. With excellent fundamentals and a strong long-term growth trend, it might be one of the best energy companies in Canada.

### Valuation

Suncor Energy is currently cheap relative to projected future earnings. Although the stock is up quite a bit since its 2018 low, it still trades at just 13 times forward earnings. Of course, projected earnings is an uncertain metric.

It's possible that Suncor will miss earnings estimates, in which case it would be less valuable. Based on trailing earnings, the stock is more expensive. However, Suncor trades at just 1.6 times book value, which means that when you buy the stock you get a ton of equity for your dollar.

### Growth

Beyond its cheap price, Suncor also has growth in its favour. Although the company posted an earnings miss in Q4 2018, with \$2 billion in funds from operations down from \$3 billion in the same quarter a year before, the long-term trend is solid. From 2015 to 2018, the company's gross profit grew from \$16.5 billion to \$23 billion. Net income is also on the rise, growing from \$434 million in 2016 to

\$3.2 billion in 2018.

## Dividends galore

One of the most attractive things about Suncor stock is its dividend. Currently yielding about 3.26%, it is well above average for TSX energy stocks. Additionally, Suncor stock has a long-term dividend growth rate of about 12.5% CAGR, meaning that the yield on cost will tend to increase gradually over time.

## Foolish takeaway

Suncor Energy is one of the largest, most established energy stocks on the TSX. In an industry populated by many unreliable mid-cap producers, Suncor has established a steady and dependable track record of profitability.

The proof is in the pudding: Suncor has been paying a dividend since the 90s, while [raising the dividend year after year](#). Right now, the price of oil is on the rise, and expected to keep rising. If you want to bet on oil in a relatively safe, income-producing package, Suncor would be a great bet.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. TSX:SU (Suncor Energy Inc.)

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### Date

2025/07/06

### Date Created

2019/04/13

### Author

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