



## A Top Oil Stock That's Selling Absurdly Cheap

### Description

It's quite tough to feel excited about oil stocks these days. The global economy is weakening, and the Organization of Petroleum Exporting Countries is unable to fix the oversupply issues.

But when things look awful in any sector, it is the time to look for opportunities and find deals. In the Canadian oil space, one stock that is looking quite attractive is oil sands producer **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)).

After losing about quarter of its value during the past one year, Suncor's valuation has become compelling, providing investors a unique opportunity to build a position in this solid company. Here are three top reasons that supports this bullish view.

### Vertical integration

Suncor's vertical integration in Canada's oil sands makes it a strong candidate for your long-term investment. Due to this integration, the producer has been able to weather Canada's oil slump coming from Alberta's [pipeline bottlenecks](#).

The company's integrated business model allows the company to dig for oil, refine it, and sell it through its 1,500 gas stations. Rival oil sands companies are more exposed to volatile commodity prices and pipeline constraints, but Suncor's presence in almost every stage of energy supply chain makes it somewhat insulated.

### Strong cash generation

Suncor generated \$5.2 billion in free cash flows in 2018 after the capital spending and \$2.8 billion if we subtract dividend payments. That's massive cash in an industry that experienced great pain and is still in the middle of a crisis created by pipeline shortages in Canada.

In the first-quarter earnings report, the Calgary-based Suncor had net earnings of \$1.47 billion, or \$0.93 per share, in the three months ended March 31, up from \$789 million, or \$0.48, in the same period of 2018.

That was well ahead of analyst forecasts of \$709 million, or \$0.53 per share. Suncor's operating profit came to \$1.2 billion compared to \$985 million in the first quarter of 2018.

This strong cash generation allows Suncor to continue rewarding its investors with [increasing payouts](#). In the final quarter of 2018, Suncor hiked its payout by 17% to \$0.42 a share quarterly and increased its share-buyback program from \$2.15 billion to \$3 billion.

## Bottom line

Trading at \$41.08 at writing and with an annual dividend yield of 4.11%, Suncor has many catalysts that could move its stock higher from these levels. According to analysts' 12-month price target of \$54.36, Suncor has the upside potential of more than 30%. If you're looking to add a quality oil stock to your portfolio, Suncor may be just right for you after the past year's weak spell.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Top TSX Stocks

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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