



Should You Buy Suncor (TSX:SU) Ahead of Earnings?

Description

Next week, we expect **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) to release its latest quarterly earnings. With the stock still recovering from last year's decline, a good quarter could definitely give the company a big boost and help give investors a reason to invest in the energy company.

How Suncor might do in Q2

Over the past four quarters, Suncor has had mixed results, twice beating expectations for earnings and twice falling short. However, its [most recent results](#) were a little misleading, as the company got a boost from non-operating items that allowed it to produce a very strong bottom line. The good news was, the production levels were up, and if that trend continues into Q2, then Suncor could have another strong quarter this time around.

In four of its past five quarters, Suncor has delivered profitable earnings reports, and there's little reason to believe that the company won't continue to do the same next week. Whether it will outperform and if the results will be strong enough to generate a rally are the important questions. General bearishness in the oil and gas industry might be enough to keep the stock down, even amid a good performance.

Overall, I'd expect Suncor to continue to show modest sales growth while bringing down its costs from the prior year to help pad its bottom line. However, I would not expect to see a big jump on earnings day either way. There's simply not enough of a compelling reason for investors to buy shares of any Canadian oil and gas stock today, and that's what's going to be the biggest detractor for Suncor, regardless of how it performs on earnings day.

Why the stock might still be a great buy

Even if you don't expect Suncor to do well in its upcoming earnings, the stock might still be a worthwhile investment for the long haul. With its share price trading at a very reasonable 1.5 times book value and only 17 times earnings, those are some good multiples for a stock that has been

performing a well as Suncor has over the years. It's no wonder that a [very prominent investor](#) has taken a liking to the stock as well.

It may take years before the industry gets back to operating at a high level. Oil prices may never return to the highs they saw back in 2014, but that doesn't mean Suncor and other companies in the industry aren't still worthy investments. Oil and gas is still going to be a crucial industry for Canada for the foreseeable future, and if the government wants the country to do well, it's going to need to support it. It might take a change in government for that to happen, but if there's more support, then there will be better prospects for the industry, leading to more growth and interest from investors as well.

For a company like Suncor, investors are betting off buying and holding for the long term. Regardless of how it does on earnings day, the stock still has a lot of potential to rise in value given the bargain it is trading at today.

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Author

djagielski

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