



Suncor's (TSX:SU) Stock Is a Once-in-a-Lifetime Opportunity

Description

There are a number of ways to play the current oil stock bear market. Investors can dispose of their positions and wait until stability returns, or investors can take advantage of rarely seen investment opportunities.

Case in point, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). A premier oil sands company, Suncor is one of Canada's largest energy companies. Unfortunately, over the past year it has lost almost 30% of its value. In 2019? Its stock is flat (-0.60%) and trading near 52-week lows.

Despite what it looks like on the surface, its performance in 2019 is actually quite impressive. The TSX Energy Index is down approximately 10% in 2019 and it has also outperformed Canadian peers **Canadian Natural Resources, Imperial Oil, and Husky Energy**.

Its performance is not surprising. It has posted greater average returns than the Energy Index and all of its aforementioned peers over the past one-, two-, and five-year periods. Simply put, Suncor is the best in its class and the best buy in the energy sector.

A top value stock

Trading at 10.56 times earnings, Suncor has only been this cheap once in the past 25 years — during the oil bear market of 2011-2013. During that time, it traded between 8.45 and 10.50 times earnings. Considering the price of oil was half what it was today, to be trading near these levels appears to have been an overreaction.

Suncor's current price-to-earnings (P/E) ratio wasn't even this low during the financial crisis when its P/E hit a then-decades low of 10.62. The company is also trading at a discount to its historical price-to-book, price-to-sales, and enterprise value to earnings before interest, taxes, depreciation, and amortization ratios.

The average one-year estimate of the 25 analysts covering the company is \$53 per share. This implies 40% upside from today's price of \$37.90 per share.

No matter which way you slice it, [Suncor is cheap](#).

A top dividend stock

Suncor's current yield of 4.12% hasn't been this high since the mid-1990s. That's right; an investment in Suncor today would yield income at its highest rate in over two decades.

As a [Canadian Dividend Aristocrat](#), Suncor has a 16-year dividend-growth streak. It kept raising its dividends throughout the financial crisis and the most recent oil bear market. This makes it one of the most reliable income-paying stocks in the sector.

It has a reasonable payout ratio of 46%, and it generates a considerable amount of cash flow. In fact, during the second quarter of 2019, Suncor announced record quarterly funds from operations of \$3 billion.

Through the first six months of the year, there was enough cash to pay its dividend, buy back shares, and decrease its leverage.

Looking for the best buy in the beaten-up energy sector? Suncor is the safest bet for a strong rebound.

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2. Energy Stocks
3. Investing

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