Why Suncor Energy (SU) Stock Rose 2% in August

Description

Suncor Energy (TSX:SU)(NYSE:SU) stock came dangerously close to testing its 52-week lows in the month of August. It has bounced back nicely so far in September, rising 5% over the last week as of close on September 11.

August was a key month that saw the stock halt a sharp slide that began in the middle of summer. Has Suncor managed to stop the bleeding as we look ahead to the fall?

Suncor taking aim at curtailments

The energy giant has been an outspoken critic of Alberta's production curtailments since the policy was introduced. Suncor CEO Mark Little recently blamed the frigid investment environment in the oil and gas sector on the continued policy. Alberta has expanded the program into December 2020 in large part due to pipeline delays and problems with capacity.

Curtailments were introduced in response to turbulence in the oil and gas industry. The price differential between West Texas Intermediate (WTI) and Western Canadian Select (WCS) was squeezing many producers, which sparked a move by the government. Many producers praised the move, but Suncor is an integrated producer, and its refineries benefited from cheap crude.

Suncor has managed to thrive, even as it maligns the program. Funds from operations rose to $3 billion, or $1.92 per share, in the second quarter compared to $2.86 billion, or $1.75 per share, in the prior year. Total production climbed to 692,200 barrels per day over 547,600 bbls/d in Q2 2018. The company recently announced that it would spend $1.4 billion to upgrade its Oil Sands Base Plant close to Fort McMurray.

Reasons the stock rose in August

Reports from the *Globe and Mail* indicated that there was a flurry of insider buying at Suncor as it neared 52-week lows in August. This mirrored a buy-low move from insiders like former CEO Steve

Williams that occurred around the Christmas Eve low in 2018. Shares of Suncor dropped into technically oversold territory in late July and early August, giving investors a nice opportunity to add a stellar energy giant at a discount.

The company remains the most profitable Canadian refiner and generates strong cash flow. In Q2 2019 Suncor reported cash flow from operating activities of $3.43 billion, or $2.19 per share, compared to $2.44 billion, or $1.50 per share, in the prior year. This is an area where Suncor consistently outpaces its domestic and global peers.

Suncor last paid out a quarterly dividend of $0.42 per share. This represents a solid 4.1% yield. The company has achieved dividend growth for 16 consecutive years. Suncor has splurged to return value to its shareholders. In the second quarter alone, Suncor paid $658 million in dividends and repurchased $552 million of its common shares.

Curtailments will expire at year's end, which will please Suncor's management. Even with the program in place, Suncor has shown that it is still one of the strongest plays in the energy sector.

Should you buy the stock today?

The stock had a price-to-earnings ratio of 12.7 and a price-to-book of 1.3 at the time of this writing. It had an RSI of 65 as of close on September 11, putting it close to technically overbought territory. Bargain hunters may have missed the August window, but Suncor is still a reliable long-term bet.

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