# Why You Should Add Suncor Energy (TSX:SU) to Your Portfolio Today

## Description

This week has seen hectic activity in the oil and gas sector. The terror attacks on the Abqaiq production facilities in Saudi Arabia over the previous weekend caused oil prices to shoot up. The Saudi government assured the world that oil production would be back to pre-attack levels by the end of September, and oil stocks gave up some of their gains.



While it is a good time to invest in oil now, it is not good to invest in any oil stock. Investors need to pick their stocks very carefully. This is where **Suncor Energy** (TSX:SU)(NYSE:SU) comes into the picture. Why Suncor? Well, for starters Warren Buffett's **Berkshire Hathaway** purchased 10.8 million shares of Suncor earlier this year, way before the Saudi terror attacks.

Apart from a stamp of approval from one of the world's savviest investors, Suncor has a lot of factors going for it. Suncor's trailing price-to-earnings (P/E) ratio is 11.8, while the stock is trading at a forward P/E multiple of 13.7. Compare this to its earnings growth of 19.2% in 2019 and we can see that the stock is currently undervalued.

The low P/E ratio made sense when oil was trading at $40 a barrel between 2015 to the end of 2017. Today, the price of oil is close to $60 per barrel, but Suncor is still trading at bear market values.

Out of the 25 analysts who cover Suncor, 17 have a buy rating on the stock. The analysts have a 12-month average target price of over $53. Suncor is currently trading at $42.35. That's an upside of over 20%!

Suncor's total oil sands production during the second quarter of 2019 increased to a record 692,200 barrels per day from 547,600 last year. A dividend yield of 4.17% is nothing to scoff at either.

## More than just oil production

Suncor also has another ace up its sleeve that makes it very attractive. The company not onlyproduces oil, but it also refines and transports it to market. When oil prices are high, this generatesmore revenue, cash flow, and profits.

Net earnings were $2.729 billion in the second quarter of 2019 compared to $972 million last year and included a one?time deferred income tax recovery of $1.116 billion to reflect the staged reduction of Alberta's corporate income tax rate from 12% to 8% over the next four years.

Suncor's cash flow for the second quarter of 2019 provided by operating activities was $3.433 billion compared to $2.446 billion last year. Suncor is currently trading at 6.32 times its current cash flows. Expect this to go up in the coming quarters. Even as the surge in oil prices turns out to be a blip, Suncor's refinery business ensures that a large portion of the hit can be absorbed.

The Fool previously reported that the oil and gas sector is prone to volatility and the TSX Capped Energy Index has been down almost 22% in the past year. This year could be a reversal considering the current world scenario. If oil prices stay high, Suncor will be a major beneficiary. This is the perfect time to add a conservative, regular dividend-paying company like Suncor to your portfolio.

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