



## Should You Buy Suncor Energy (TSX:SU) Stock Today?

### Description

The Canadian energy sector has endured some rough times in recent years, and while ongoing challenges remain, [contrarian](#) investors are starting to kick the tires on the top players in the industry.

Let's take a look at **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) to see if it deserves to be on your [buy list](#) right now.

### Oil giant

Suncor is Canada's largest integrated energy company with a market capitalization of \$62 billion. A strong balance sheet and the sheer size of the business give Suncor an upper hand in the sector.

In the past five years, Suncor has taken advantage of the challenging times to add strategic assets at attractive prices, as the oil rout hammered the share prices of producers who took on too much debt at the peak of the oil boom. The most notable was the takeover of Canadian Oil Sands to secure a majority interest in Syncrude. Suncor also increased its holdings in a number of other partnerships, including Fort Hills, which went into commercial production last year.

Suncor's strength comes from its integrated business structure that has production, refining, and retail business units. Having operations all along the value chain provides a built-in hedge against low oil prices and still generates significant cash flow when oil prices rally.

Suncor's massive resource base, including both oil sands and offshore oil production capacity, gives the company decades of potential growth opportunity through organic projects in addition to strategic acquisitions.

### Upside

Oil is currently down, but a new recovery could be on the way. At some point, the U.S. and China will work out a trade deal, and that should boost global growth hopes and put a tailwind behind oil prices.

In addition, there is a risk that Saudi Arabia and Iran could go to war. If that happens, oil prices could quickly return to US\$100 per barrel.

In Canada, the big question mark is access to global markets. The election is now over, and the Liberals say they will push to get Trans Mountain built as a way to mend bad relations with Saskatchewan and Alberta. A completion of Trans Mountain would help boost the fortunes of Suncor and other Canadian producers.

Suncor currently trades at less than \$40 per share compared to the \$55 it reached in the summer of 2018 when WTI oil surges above US\$70 per barrel, so there is nearly 40% upside potential on an oil rally. At the time of writing, WTI sells for about US\$55 per barrel.

## Dividends

Suncor isn't normally a name that comes up when investors are searching for a dividend stock to add to their portfolios, but the company deserves more respect on that front. Suncor has increased the payout for 19 straight years, and when free cash flow is significant, the hikes can be substantial. For 2019, Suncor raised the dividend by nearly 17%.

Investors who buy the stock today can pick up a yield of 4.25%. That's a solid return that is comparable to the top Canadian banks.

## Should you buy Suncor?

Suncor is an industry leader, and the energy sector is heavily out of favour right now. This presents an attractive opportunity for contrarian investors.

If you are an oil bull and have some cash sitting on the sidelines, Suncor should be a good buy-and-hold bet and you get paid well to wait for the recovery.

### CATEGORY

1. Energy Stocks
2. Investing

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