2 Reasons Why Suncor (TSX:SU) Stock Will Rebound in 2020

Description

The year 2019 has not been entirely smooth sailing for energy companies in Canada. The constituents of the Canadian oil patch have seen ups and downs over the past few years. Whether natural gas-centric companies, oil-weighted companies, or energy companies with an integrated structure, investors would have loved a prettier landscape.

There is no denying the fact that the sector has plenty of value. The operational strength of energy companies in Canada seems to be improving. In stark contrast to the operational strength and the inherent worth, commodity price uncertainties are leading to problems.

If there is anything that has a drastic effect on energy companies, it is commodity prices. There is also the fact that fossil fuels will diminish at some point far off in the future – ultimately leading to the death of the industry.

Despite everything, however, oil and gas companies like **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) continue to persevere. At the moment, Suncor's services and infrastructure are vital to us.

Suncor's integrated structure shields it from the worst of the more focused energy companies. Almost half of its revenue comes from refining and marketing. The other half comes from the oil sands operations.

The remainder of its earnings comes from production and exploration. These factors work in favour of Suncor, enabling the company to produce stronger and more stable financial results.

Let's take a better look at Suncor to see if it is a good buy for you right now.

Setback and rebound

During the past year, Suncor could not perform well. The company's value was on shaky ground due to weak oil prices. Headwinds from global issues like the attack on Saudi Aramco's oil fields, and the ongoing U.S. and China trade war also contributed to the downturn in its share prices.

In the third quarter of fiscal 2019, Suncor posted a fall of over 40% in its quarterly profits. The net profit for the company fell all the way down to $0.67 per share, or $1.04 billion in September. A year ago, for the same period, Suncor's net profits were at $1.12 per share, or $1.81 billion.

Suncor is a resilient stock. Despite the earning issue, the company can bounce back if oil prices and the overall market recover. The company has historically thrived in both positive and negative market conditions. There is a strong likelihood it will bounce back again.

The diversification of its operations can help Suncor bolster its potential for a strong comeback. The company holds the most significant oil sands reserves in Canada, as well as owning and operating several facilities.

The company owns and operates Canada's largest ethanol plant, wind farms, over 1,000 retail outlets, and four refineries.

As the oil prices continue to improve, Suncor will have a stronger basis to improve its cash flow much better than energy companies focused only on producing oil and natural gas.

Foolish takeaway

Suncor has been paying investors dividends for more than two decades. At the time of writing, the company is paying dividends of $0.42 per share at a yield of just over 4%.

If you are an income investor, this could be a fantastic opportunity for you. Investing in Suncor can offer you a high dividend income for years to come.

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Date
2025/07/08
Date Created
2019/11/27
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