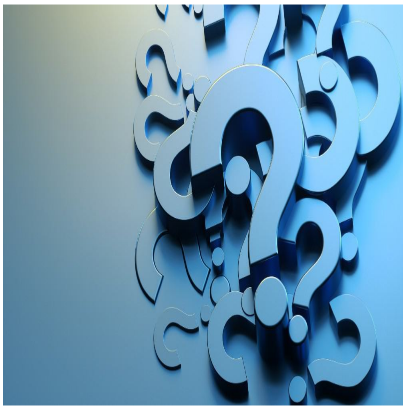

Canadian Investors: Should You Buy the Dips on Suncor Energy (TSX:SU) Stock?

Description

Integrated oil producer **Suncor Energy's** (TSX:SU)(NYSE:SU) stock price traded nearly 4% lower during early trading on Thursday as investors seemingly sold positions in response to a $2.3 billion net loss incurred during the fourth quarter of 2019.

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Could this be a lucrative by-the-dip opportunity on the dividend growth heavyweight?

The company released its Q4 earnings results aftermarket on February 5 featuring a beat on revenue and a wide miss on the bottom line due to an unusual $3.35 billion non-cash impairment charge due to lower expected prices for heavy oil at its new Fort Hills Project and higher capital costs estimated for its West White Rose Project.

Of course, the earnings miss is a letdown. The fact that it's influenced by pessimism on future revenue (and probably lower cash flows) from a young project that recently came online and capital cost escalations on another fresh project could be discouraging data points, but the fact that it is a non-cash charge could also help long-term investors shrug off the bad news.

Actually, there are three strong data points that Canadian long-term investors, including investing legend Warren Buffett, may positively focus on instead and even decide to buy the dips on Suncor stock.

A strong cash flow generator

The company reported a record funds from operations for 2019 at $10.8 billion, of which 45% was paid out in the form of dividends and share repurchases.

The company has repurchased over $6.7 billion worth of shares, or 9% of its outstanding float over three years since 2017 and its board has since increased the soon to expire $2 billion share repurchase program (which ends in February) by another $500 million and the program is being renewed for another year in March to buy up to $2 billion of the company's outstanding common share float.

Share buybacks return capital to shareholders and improve diluted earnings per share metrics (due to a smaller denominator), which is all being done from internally generated cash flows.

The company is a great cash cow to hold in a portfolio and investors should expect its well covered dividend to keep growing.

A dividend growth heavyweight

Suncor has just increased its quarterly dividend payout for 2020 by a staggering 10.7% to $0.465 per share, marking the 18th year the company has increased the dividend.

Investors who buy at today's "discounted" price could expect to earn a nice 4.7% return on the dividend alone. This follows another 17% increase for 2019.

The company's dividend remains well covered and it could be increased further in the near future.

Resilient business model

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Because of its integrated business model invested across the entire oil value chain, from production to refineries, transportation and down to its 50% interest in 1750 Petro-Canada filling stations — the largest share of the country's urban market — the company's operating cash flows remain resilient and don't necessarily fluctuate as much as oil prices.

Now, that's something an income investor would love to know.

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Date
2025/09/10
Date Created
2020/02/06
Author
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