



## 1 Warren Buffett Energy Stock to Buy Right Now

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) stock is on a decline, trading at almost 9% lower than its value 12 months ago. At \$39.49 per share, it might be the right time for you to buy the stock on the dip.

Let's take a good look at what is happening with this Warren Buffett favourite stock so you can make a well-informed decision regarding your shares in the Suncor stock.

The fourth quarter of fiscal 2019 saw Suncor report a seemingly terrifying \$2.3 billion net loss resulting in an investor sell-off that brought down its price.

Where investors easily spook at the first sign of trouble, [Warren Buffett](#) recommends being patient. I think it could be an excellent opportunity for you to buy the stock on the dip.

### A case for Suncor

The company released its Q4 2019 earnings report on February 5, 2020. It showed a significant miss on the bottom line as a result of a non-cash impairment charge of \$3.35 billion.

This unusual expense came due to lower expected prices for heavy oil at its new facility, the Fort Hills Project. Simultaneously, Suncor's West White Rose Project required more capital than the company initially expected.

Despite its earnings miss, however, the sell-off is more a result of pessimism than anything else, in my humble opinion. While the non-cash charge is slightly bad news, it's not devastating.

The company reported record-breaking funds from its operations in 2019. It earned \$10.8 billion and paid out 45% of it in the form of share buybacks and dividends.

The company reacquired 9% of its shares over three years, and the company plans on buying up to \$2 billion of its common share float in the future. The company is generating substantial cash flow – a reassuring sign for shareholders toward the possibility of increasing dividends.

## Increasing dividends

Speaking of dividend growth, [Suncor increased its quarterly dividend](#) payout to shareholders by an astounding 10.7%, marking the 18th consecutive year that Suncor stock has increased its dividends for shareholders.

At the time of this writing, its \$39.49 per share value entails a dividend yield of a juicy 4.25%. The 10.7% increase in its dividend payout follows its 17% increase in dividends last year.

The company's reliable cash flow enables it to keep its dividends growing, and shareholders can expect to see a further dividend increase in the near future, potentially.

## Integrated business model

Perhaps one of the reasons why Suncor enjoys its stability in the energy sector is its integrated business model. It invests across the entire chain from the process of production to refining and transporting its oil. The business also owns and operates more than 1,700 gas filling stations branded as Petro-Canada.

The company's cash flow remains predictable and continues getting better due to how it operates.

## Foolish takeaway

Suncor has the approval of Warren Buffett himself, who reportedly owns \$4.2 billion worth of the stock. I am not suggesting investing only in Suncor, however. Diversification is a critical part of making sure your investment portfolio is profitable and safe from market volatility.

Suncor could be worth considering as a part of your Tax-Free Savings Account (TFSA) holdings based on its value for shareholders and discounted price right now.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

**Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**Date**

2025/08/27

**Date Created**

2020/02/13

**Author**

adamothonman

default watermark

default watermark