



Is Suncor (TSX:SU) a Must-Buy at \$20?

Description

It's been a horrible year and a half for energy companies. The oil and gas industry had stocks reaching all-time highs back in 2018, only to plummet as the oil and gas glut became larger and larger. Then, just when things couldn't get any worse, the Organization of the Petroleum Exporting Countries announced Russia wouldn't be cutting back its oil production, and Saudi Arabia would even be increasing its production.

Companies like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) took a huge hit at the news. With a pandemic already crashing the markets, the OPEC news sent shares sinking even further. Now, the Canadian oil patch could see major cutbacks due to both of these events, which has provincial and federal governments fearful of the near future.

But while there is all this doom and gloom in the economy, Suncor has been unfairly valued. So here is why, if you have some cash around, Suncor would be a great [long-term hold](#).

Suncor's integration

While its competitors might be focused solely on producing oil and gas, Suncor is Canada's top integrated energy company. The company produces, refines, and even markets its petroleum products. Its upstream operations are focused on production from the Athabasca oil sands, where the trouble is coming from right now. However, these same operations are supported by crude oil, giving Suncor access to higher prices.

Meanwhile, the company's integrated operations keeps revenue coming in even during this time of market volatility. Its downstream assets, in particular, have brought in significant revenue in the last year. So while Suncor might not be able to expand as quickly as it hoped through its proposed expansion projects, it won't suffer as much as some of its peers.

Look to the future

While these projects might be on hold, they haven't been forgotten. Suncor has a number of key oil sands projects that should drive significant long-term growth once oil prices are on the mend. In the short term, these projects won't deliver much to investors. What Suncor needs is solvent technology and a rebound in oil prices to really get on top of these expansion projects.

As investors wait for these projects to come to fruition, Suncor's downstream assets will continue to bring in stable cash. This means the company will have no problem paying for these projects down the road. Investors can expect several decades of growth from Suncor as these projects are completed.

Foolish takeaway

There isn't a reason to think that Suncor could perform much as it did during the last recession. The stock doubled in share price between January 2009 and July 2018, and it could be that share prices are moving in that direction once again.

In fact, analysts predict the company could have a \$60 share price by the end of next year. That would be a potential upside of 160%, as of writing. Even to just reach fair value, Suncor investors could enjoy a potential upside of 30%. It's really no wonder that [Warren Buffett](#) has reinvested in this Canadian company.

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