Suncor (TSX:SU) Stands Strong as Oil Begins its Recovery

Description

After suffering through a severe rout in March, weak oil prices have started a recovery. The Canadian Crude Index has climbed by 107.85% from April 1, 2020, to reach $15.63, the highest it has been since mid-March. At writing, the prices are still below breakeven levels for most companies in the Canadian energy sector.

That being said, the energy industry is beginning to show signs of life. The oil price war that caused commodity prices to decline drastically is over. The economy is still in tatters due to the COVID-19 pandemic restrictions. There is no telling when the lockdown will end, and businesses will re-open, but the demand for petroleum will pick up once that happens.

Between the oil price wars and the pandemic, energy sector operators have suffered a lot. However, recovering oil prices are showing investors that there might be room for some optimism.

Suncor Energy (TSX:SU)(NYSE:SU) is a stock that I think stands out amid the current situation for the energy sector stocks in Canada.

Suncor Energy

Suncor Energy is a Canadian oil company that enjoys a unique advantage over most of its peers in the industry. It has an integrated structure that allows it to operate in the energy sector with total control from the point of extracting the oil to refining it and selling it. Suncor's Petro Canada gas stations sell directly to consumers, giving it a distinct advantage over competitors.

Suncor's integrated structure allows it to get more profits from sales compared to the companies that sell oil to other vendors. When the oil prices turned negative, the gasoline sold to end consumers never became free. Suncor was still able to profit from its gasoline sales, while most of its peers did not enjoy that luxury.

Suncor also has a solid balance sheet that can allow it to power through the global health crisis, even if sales do not increase. Suncor had $89 billion in assets, $47 billion in debts, and a debt-to-equity ratio of 0.47 in its most recent quarter. These figures represent a company that is capable of surviving a long period of weak sales.

Suncor is trading for $23.73 per share at writing. While it is down 47.33% from its 2020 peak, it has recovered by more than 57% from its March 2020 low. Suncor's reaction to the impact of the coronavirus pandemic seems to be paying off for the time being. The management of the company slashed its budget by a quarter, and it secured more than $2 billion in liquidity.

Foolish takeaway

Suncor has a price-to-earnings ratio of 12.76 and a price-to-book ratio of 0.86. Both of these metrics are favourable for the company. Where most mid-tier energy stocks in Canada have suspended dividends due to the crisis, Suncor seems set to continue paying its shareholders. At the current price, it has a juicy 7.84% dividend yield.

Some energy companies seem like they might not recover. Suncor is a company that gives investors hope for the sector. With Suncor being down by almost 47% from its 52-week high, I think it could be an excellent stock to consider for the potential value it offers.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. 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
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/18
Date Created
2020/05/08

Author
adamothman