



## Is Energy Stock Suncor (TSX:SU) a Buy?

### Description

The last few months have been extremely eventful for oil stocks. Even massive oil companies with highly defensive operations such as **Suncor Energy Inc** ([TSX:SU](#))([NYSE:SU](#)) have been affected.

It all started with [coronavirus](#) lockdowns causing a massive shortage in demand for oil. At the same time, Saudi Arabia and Russia failed to make a deal, and both countries said they would increase production.

This sent oil tumbling, and stock markets followed suit. While things began to steady somewhat as markets rebounded, oil prices dove again on the realization of much higher supply levels than first anticipated.

Now that we have gotten through that, though, and economies are starting to open back up, anticipation is growing that crude demand will return.

### Suncor stock's dividend

Suncor is a Canadian favourite that's gotten a lot of attention from investors. This week Suncor reported earnings and gave us the first good look into the numbers.

The headline was the [dividend cut](#). However, there were far more important takeaways for long-term investors.

Although you never want to see a dividend cut, in the current environment, it leaves Suncor in a much stronger position.

Suncor cut the dividend by 55%, so the stock now yields just under 4%. That's still a pretty attractive yield that saves the company \$1.6 billion in cash annually.

## Suncor's resiliency

In addition to the \$1.6 billion in annual savings from the dividend, Suncor has now cut 33% of its original 2020 budget. This represents just under \$2 billion in savings.

The stock has also increased its liquidity position to more than \$8 billion, giving it significant flexibility.

On top of the prudent cuts to the dividend and expenditures, Suncor's business model remains one of the most attractive of any energy stock.

## The stock's potential

In the short term, much of its performance will be determined by the demand for oil and refined products. Demand is going to be the most significant determinant of how the stock can perform this year.

That said, for long-term investors, you don't have to worry.

Over the long term, Suncor will continue to be one of the best investments you can make in the Canadian energy industry. It has strong management, attractive assets, and a significant competitive advantage.

## How analysts view Suncor stock

So far, since the stock reported earnings this past week, seven analysts have issued a new target price. The average of that price is roughly \$29.50, which represents more than 25% growth from Thursday's closing price.

Furthermore, numerous analysts had a target price of up to \$32, which represents a gain of nearly 40%.

It's also worth noting these target prices are for the current environment. So if the oil industry can recover faster than analysts and investors are expecting, shares in Suncor could get an even bigger boost.

## Bottom line

Suncor continues to be the most attractive energy stock on the **TSX**. Its high-quality assets, strong management team, and impressive integration all combine to make it one of the most defensive investments you can make in the industry.

Long-term investors can be comfortable buying Suncor today because it can protect your capital in the short-run and set you up for major capital gains potential in the medium to long run.

### 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.)

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