This Warren Buffett TSX Oil Stock Slashed its Dividends by 55%

Description

Canadian dividend-paying stocks have attracted the interest of investors who want to build their wealth and establish a reliable passive-income stream. High-quality Canadian stocks have provided investors an ideal method to use their capital to generate revenue for them. One oil company trading on the TSX is so attractive that even the Oracle of Omaha has invested in its shares.

Warren Buffett has a penchant for recognizing excellent stocks and investing in them to watch his wealth grow even further. Buffett's **Berkshire Hathaway** has exposure to a few oil stocks. While he is famous for investing primarily in American companies, he has made an exception by owning 1% of **Suncor Energy** (TSX:SU)(NYSE:SU).

Watching Buffett own any stock can instantly make the company an attractive option for investors who want to emulate his success. However, the situation might not look so viable for the Suncor stock, considering the impact of the oil price wars and the pandemic on the stock.

Are you wondering whether you should buy, sell, or hold the Suncor stock? I am going to discuss the current situation so that you can make a better decision about this Warren Buffett oil stock.

Surprise dividend cut

In a move that analysts might have seen coming, Suncor slashed its dividend payments by 55%. The company has been paying dividends to its shareholders without fail for so long that investors might have been caught off guard by the decision. However, the move follows its disappointing Q1 2020 results.

During its first quarter of this fiscal year, the integrated energy sector operator reported a massive $3.5 billion loss. The decision to cut its dividends was unexpected since most of its peers left their dividends untouched, despite a terrifying drop in oil prices.

Between the effects of the oil price wars and the COVID-19 pullback, the energy stock has dropped by 46.29% from its price at the beginning of 2020. At writing, the stock is trading for $22.86 per share, with a 3.67% dividend yield. The S&P/TSX Composite Index is down by just 14.39% in the same period.

Suncor has maintained a strong balance sheet. Its integrated structure and low operating costs, along with efficient capital management, have made it a prolific stock in the oil sands industry to follow. Many of us were led to believe that Suncor enjoys a relative degree of insulation from declining commodity prices.

The quarterly earnings report and its significant dividend cut clearly show that it is not as safe as investors might have considered it to be.

Foolish takeaway

Warren Buffett is considered to be one of the best investors ever. He invests in the stock of companies that he believes have strong fundamentals. Some of the stocks he has invested in have gone through multiple economic cycles to generate positive returns for shareholders.

However, Suncor seems to be struggling, despite its strong fundamentals. The management has attributed the loss to weak oil prices. Suncor has already adjusted its capital spending plan twice. It will spend only $1.8 billion in capital expenses this year — a third of what it originally intended.

The current situation is due to the macro-economic factors and not because its fundamentals are weak. My recommendation will be to hold on to the Suncor stock if you own it. If you do not own shares of the company, I would recommend holding off on buying. Warren Buffett still has confidence in the stock, but being cautious would be wise until the situation develops further.

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
2025/08/25
Date Created
2020/05/22
Author
adamothman