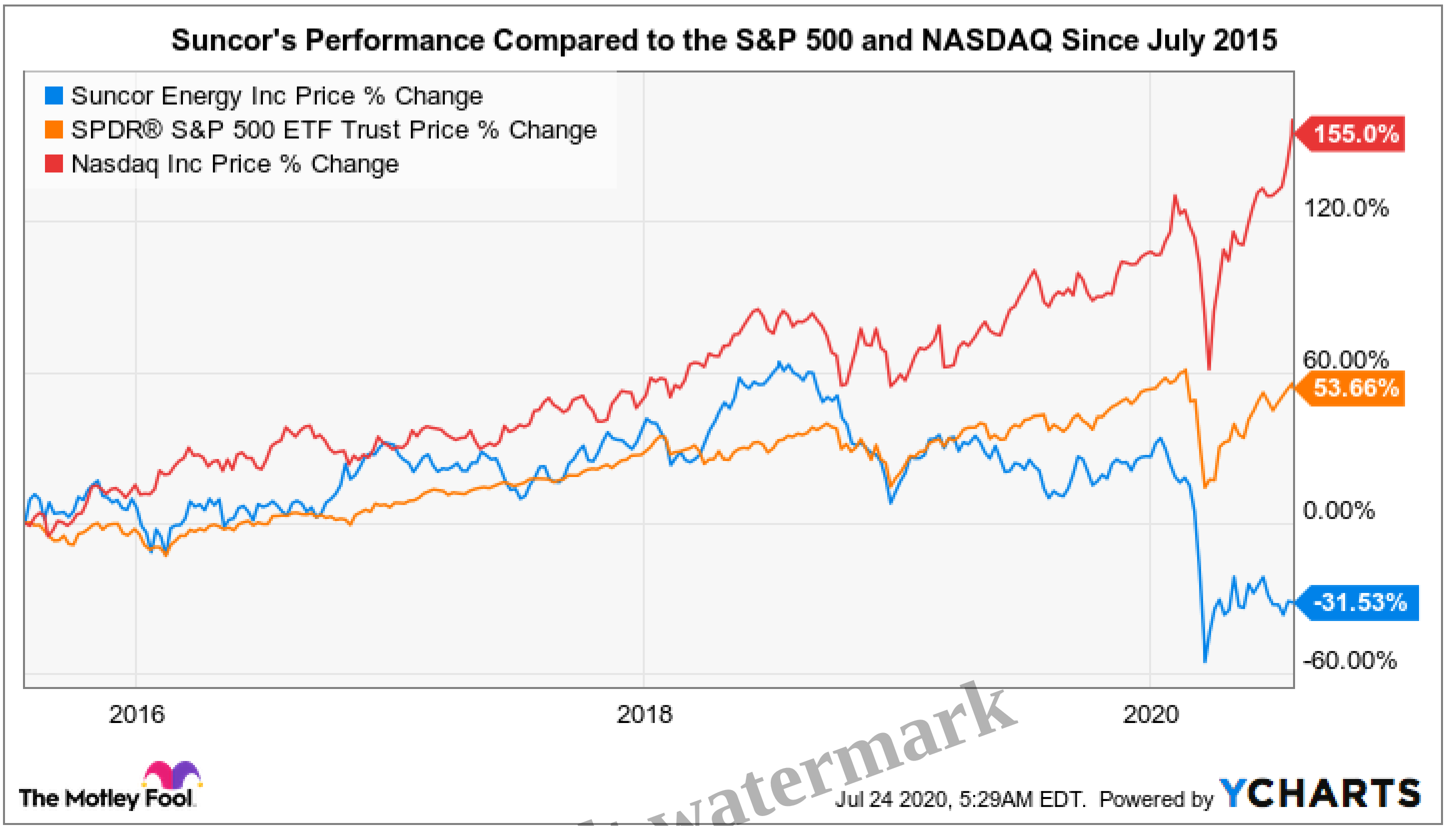
$1,000 Invested in Suncor Energy in 2015 Would Be Worth This Much Now!

Description

Canada has several energy companies trading on the TSX. One of the largest companies in this sector is **Suncor Energy** (TSX:SU)(NYSE:SU), an integrated energy heavyweight. The recent weakness in oil prices has decimated Suncor and peers in 2020, and lower demand due to COVID-19 has further exacerbated this decline.

However, Suncor has underperformed broader markets for a while now. In the below chart, we can see that Suncor stock has returned -31.5% in the last five years and is trading 60% from its record highs. So, if you'd invested $1,000 in Suncor stock back in July 2015, the investment would be worth just $684 right now.

Comparatively, a similar investment in the S&P 500 or NASDAQ would have grown to $1,540 and $2,550, respectively. However past returns don't matter much to current and prospective investors. They want to know if Suncor stock is a buy at the current price.



Suncor reported Q2 results

Earlier this week, Suncor announced its second-quarter results and reported earnings of -$0.98 per share, which were below analyst estimates of -$0.65. Its Q2 revenue stood at $4.25 billion, higher than estimates of $3.51 billion. Comparatively, Suncor's earnings were $1.74 per share with revenue of $7.75 billion in the prior-year quarter.

Investors expected a significant decline in Suncor's Q2 earnings and revenue, given the current environment. Suncor's upstream production fell to 655,500 barrels of oil equivalent per day (boe/d) from 803,900 boe/d in the prior-year quarter.

Suncor's press release stated, "The company's results in the second quarter of 2020 were significantly impacted by the COVID-19 pandemic, which has lowered demand for both crude oil and refined products and, combined with the OPEC+ increase in supply, resulted in a significant decline in commodity prices, compared to the prior year quarter."

Is the worst over for the integrated oil player?

Suncor ended Q2 with $9 billion in liquidity. In May 2020, it slashed dividends by 55% and reduced capital expenditure by 33% to its current forecast of $3.8 billion. Suncor reiterated its revised production guidance of 760,000 boe/d, which indicates management optimism.

Further, Suncor's downstream operations can offset weakness in its upstream business. It also owns

1,500 retail and wholesale fuel outlets in Canada and the United States. The company's integrated operations and presence across the supply chain can accelerate its recovery compared to peers.

On the flip side, energy markets continue to look gloomy. If fears of a second wave of infections come true, you can expect Suncor stock to move lower and burn considerable investor wealth.

The Foolish takeaway

Last month, **Scotiabank** analyst Jason Bouvier upgraded Suncor stock to "Outperform" from "Sector Perform" and increased its price target to $30. This indicates an upside potential of 25% and takes total returns closer to 30% after accounting for the stock's dividend yield of 3.7%.

Suncor is a quality stock with a strong balance sheet trading at an attractive valuation. If you think the worst is over for energy companies, Suncor should be on the top of your buying list.

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