



Suncor Energy (TSX:SU) Stock: Analysts See 70% Upside Potential! Should You Buy it?

Description

After starting September on a terrible note, the Canadian stocks traded on a mixed note in the week ended September 11. On Friday, the **S&P/TSX Composite Index** settled at 16,223 — slightly up as compared to its previous week's closing of 16,218. Mineral resources companies such as **Teck Resources**, **Agnico-Eagle**, and **Barrick Gold** turned out to be some of the top TSX gainer companies last week.

In contrast, most [Canadian energy companies](#) — including **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) — continued to extend their losses in the second week of September.

Suncor Energy stock tanked by over 10%

The shares of Suncor Energy fell by another 10.1% last week after losing 7% in the first week of September. It's a Calgary-based integrated energy company that makes most of its revenue from its home market. In 2019, nearly 81% of its total revenue came from Canada, while 15% was from the U.S.

What's driving stock losses?

On September 7, Suncor Energy [announced](#) its revised operational and 2020 guidance; it hurt investors' sentiments and drove its stock downward. According to its latest guidance, the energy company expects its total production to be between the range of 680,000 and 710,000 barrels of oil equivalent per day.

It was significantly lower as compared to its previous 2020 production guidance range of 740,000-780,000 barrels of oil equivalent per day.

Analysts are cutting the price target on Suncor Energy stock

Following its guidance update, many notable research firms and investment banks — including **JP Morgan, RBC, Evercore, and TD Securities** — cut their price target on SU stock last week. Earlier on September 14, **Wells Fargo** also slashed its price target on the energy firm. That could potentially extend its losses in the coming sessions as well.

Currently, a total of 24 analysts are covering Suncor Energy. Out of these, 20 analysts are recommending a buy, while the remaining four analysts are rating its stock as a hold. Interestingly, no analyst covering the company is suggesting a sell.

These 24 analysts' consensus target price on Suncor Energy stock is \$31 per share for the next 12 months. It reflects a solid over 70% upside potential from its Friday closing price of \$18.19.

COVID-19 is affecting the oil industry

In the second quarter of fiscal 2020, Suncor Energy's total revenue fell by about 58% on a year-over-year (YoY) basis to \$4.2 billion. It was the fourth consecutive quarter when the company reported a YoY decline in its sales.

In the most recent quarter, the company cited the COVID-19 and OPEC+ supply issues as some of the key reasons affecting the oil industry. The management believes these two factors have lowered the demand for crude oil and refined products. As a result, Suncor Energy reported an operating loss of \$1.5 billion in Q2 2020 against operating earnings of \$1.3 billion in Q2 2019.

Foolish takeaway

Today at 10:30 AM ET, Suncor Energy stock was trading at \$ 18.06 — down by 0.7% for the day. The RSI indicator on its daily price chart has entered oversold territory. However, I would still wait for a couple of weeks more to spot any signs of an upside reversal before I'd consider buying the stock.

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