Why Suncor Energy Stock Is the Right Price to Buy Now

Description

On the verge of a recovery, energy stocks are starting to look like tasty investments. Energy stocks have never been particularly "sexy," it must be said. However, the market has depressed these names to the point where a recovery could see them spring back appreciably. Today we will take a look at a name that has been in the doldrums for some time, blue-chip **Suncor Energy** (TSX:SU)(NYSE:SU).

Surprise: Suncor stock is a consensus buy

Pundits pushing boring stocks sometimes overlook Suncor. The problem with this name is that it's the *wrong* kind of boring. Suncor underperforms, which, in a flat sector like energy, is inexcusable for DIY portfolio managers. Down 2.9% Tuesday, Suncor's performance, amid a sea of selloffs in the energy space, remains worse than many of its peers. Even the down-at-heel **Canadian Natural Resources** lost less, and was negative by 2.5% the same day.

Year-on-year, it's a similar story. Suncor has lost 60% in 12 months. In any other year, investors would be scrambling to sell this name. And yet the rate of bleeding has slowed of late to a less-terrible loss of 22% in the last four weeks. In no other year would that kind of a figure resemble a recovery. But here we are in 2020, and Suncor is beginning to look like a buy. The consensus agrees, with analysts calling it a "moderate buy."

Because there's also a lot that's *right* about Suncor. Take a look at the market and you'll see a topsy-turvy version of a normal year. Pandemics are fairly rare. Yes, every few years there's an outbreak of a SARS-type virus. But actual full-blown pandemics are (thankfully) few and far between. The pandemic has hit Suncor pretty hard – but the upshot is that a full recovery will likely see sustained upside in this key energy name.

So let's consider that upside for a moment. Suncor has a high price target of $50. Yes, $50 — more than three times its current price tag of $16.74 per share. For would-be shareholders shopping for long-term comeback stocks, Suncor could be an unassuming way to triple an investment. Suncor's earnings growth could be as high as 64% annually, supporting this upside thesis.

Super Suncor or sunk cost fallacy?

Investors need to check their exposure to energy before investing in this name. While Suncor shares carry the potential for steep capital gains, Canadians already invested in the energy sector need to avoid overexposure. It's easy to look at a portfolio's energy segment and assume that further investment is required to shore up this year's losses — a classic example of the sunk cost fallacy at work.

However, for investors who are light on energy names, this top **TSX** stock could satisfy a contrarian mid-term growth thesis. Indeed, Suncor could even offer some investors a way to diversify a portfolio at lower capital outlay and with the potential of steep gains. That's a three-for-one offer if ever there was one. In short, to the right buyer, this integrated utility company offers reasonable growth at a fraction of last year's price.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/01
Date Created
2020/09/29

Author
vhetherington