



## Suncor Energy (TSX:SU) Falls to March Lows: Should You Be Buying?

### Description

One deep-value play I'd look to bet on at today's market crossroads is fallen star **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). You'll be in good company as a shareholder in the heavily out-of-favour fossil fuel play, as Warren Buffett has continued to scoop up shares of the [battered](#) energy kingpin on weakness over the past year.

More recently, Suncor stock fell back to its March lows, as industry woes continued to weigh on it. It's not every day that you're granted an opportunity to get into a stock at a better price than Warren Buffett paid. And while Suncor stock lost many income-oriented fans following its 55% dividend reduction a few months ago, I think the risk/reward trade-off has become so profoundly favourable that investors could have a lot to gain by forgiving management for taking its dividend to the chopping block.

### Suncor Energy back on the retreat

With a 5.6%-yielding dividend at the time of writing, Suncor sports one of the safer payouts in the ailing Albertan oil sands. Although Suncor lost its title of "king of the oil sands" to its top peer **Canadian Natural Resources**, whose shares have done a far better job of holding their own amid this crisis, Suncor still boasts one of the most impressive balance sheets in the energy scene.

It's ready for another several rounds in the ring with Mr. Market. And with a strong level of support at \$15, I'd look to back up the truck here before the tides have a chance to turn and investors shed their fear of fossil fuel stocks that have fallen out of favour at the hands of frothy renewable energy stocks of late.

Yes, fossil fuel firms are on the wrong side of a secular trend, but with shares of Suncor trading at around 0.66 times book value, the out-of-favour firm has become far too cheap for value-conscious investors to ignore, even for those with a bearish long-term outlook for oil. You see, shares have become so unfathomably cheap that even a modest post-pandemic recovery in the price of oil could have the potential to move the needle in a huge way.

## Why is Suncor Energy back at March lows?

Other than weak oil prices resulting from a worsening second wave of the coronavirus, investors appear to be baking in a Joe Biden presidential victory, a move that does not bode too well for fossil fuel firms.

Moreover, I'd noted in a [prior piece](#) that income-seeking energy investors have likely ditched Suncor stock in favour of Canadian Natural Resources, which kept its dividend intact, despite the perfect storm of headwinds.

While Canadian Natural's management team may be more shareholder friendly in nature, I'm not so sure the company will be able to keep its dividend alive through a drastic worsening of this crisis. Although Canadian Natural's dividend is safe for now, a big dividend cut down the road could see investors rotating back into Suncor.

## Foolish takeaway

Suncor ripped the band-aid off early. And the stock was punished accordingly.

With shares trading at north of a 30% discount to its book value, I'd say now is the time to back up the truck if you're not of the belief that fossil fuels are dead. Another oil boom seems wildly far-fetched at this juncture. However, I wouldn't bet on the occurrence of another one over the next decade. In any case, Suncor doesn't need another boom to bounce back in a big way.

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