



Warren Buffett: Now Is the Time to Buy Suncor (TSX:SU) Stock

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a Calgary-based company that is one of the largest integrated oil producers in the country. Shares of Suncor have dropped 59% in 2020 as of close on October 26. [Earlier this month](#), I'd discussed Warren Buffett's faith in this Canadian energy beast.

Today, I want to discuss why Buffett has stuck with Suncor. Moreover, I want to explore why now may be the perfect time to load up on this top Canadian energy company. Let's dive in.

Why Warren Buffett is keeping the faith in Suncor

In [another article](#), I'd discussed why Warren Buffett had bailed on stocks like **Restaurant Brands** while continuing to stash Suncor. Indeed, Buffett has maintained minimal exposure to Canadian equities. At the time, I'd suggested that Buffett was sticking with Suncor due to its longevity, value, and income offerings.

Suncor stock last possessed a price-to-book value of 0.6. This puts the stock in favourable value territory relative to industry peers. Its shares had hovered around technically oversold territory for much of September, and it has failed to rise above neutral levels in October. It dropped its quarterly dividend payout to \$0.21 per share earlier this year. Fortunately, this still represents a strong 5.1% yield.

Leadership at this Canadian energy giant has boasted that its oil sands business will be able to last into the next century. Warren Buffett historically seeks value in what he considers to be high-quality companies that are viable for the long term. Suncor is facing headwinds due to new energy trends, but it does not look like it is going anywhere.

What to expect for this energy heavyweight for the rest of 2020

Investors can expect to see Suncor's third-quarter 2020 results on the morning of October 29. What should shareholders and onlookers expect? Oil and gas prices have stabilized somewhat, but low demand have put a cap on the comeback. OPEC is working hard to keep production down. Countries

have moved forward with strict restrictions in response to the COVID-19 pandemic, especially in Europe. Because of this, a sharp rebound for oil and gas prices will be elusive in the near term.

In Q2 2020, Suncor's earnings were weighed down by the dire lack of demand. Funds from operations came in at \$488 million compared to \$3 billion in the prior year. Still, Warren Buffett and Suncor shareholders are betting on a return to form in the year ahead. Like many industries, the oil and gas sector are also holding out hope for a COVID-19 vaccine.

Verdict: Should you follow Warren Buffett and buy Suncor stock?

There has been positive movement on a vaccine approval in recent weeks. Still, assuming we see approvals in late 2020, top nations do not expect widespread distribution until the spring of 2021. This means a recovery for Suncor may not be forthcoming in the near term. That does not mean investors should stray away from Warren Buffett's path. Suncor offers nice value, rock-solid income, and a monster footprint in a sector that is very much alive and ready to thrive again.

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Date

2025/07/22

Date Created

2020/10/27

Author

aocallaghan

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