



## Has Suncor (TSX:SU) Stock Finally Bottomed?

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock is undoubtedly trading at trough valuations. The stock is down 64% in 2020, and it trades well below book value. In fact, it has been beaten and battered for years now. This is evidenced in the fact that even before the pandemic hit, Suncor's stock price was pretty much flat for five years.

[Weak oil prices, pipeline constraints, environmental concerns](#), and a general unfavourable political climate in Canada has driven this dismal performance. Yet, through all of this, Suncor's business remains a viable one that still has a lot of life left in it.

## Suncor stock would rally on a Q3 earnings beat

Suncor will report Q3 earnings after the market close today. The consensus expectation is for Q3 EPS of negative \$0.12. This compares to EPS of \$0.72 in the same period last year. It is a disastrous fall, but it is now surprise. Suncor's stock price reflects this to a large degree.

One tidbit of good news is the fact that Suncor's Q3 estimate is on the rise. Are expectations now too low? Maybe Suncor's stock price has bottomed? The third quarter of 2020 follows a disastrous second quarter that came in well below expectations. Suncor got hit in all areas of its business, as oil prices fell and refining margins tanked.

While Suncor's diversification strategy has not helped the company recently, this remains an excellent strategy. Being an integrated oil company, Suncor has exposure not only to the production side of the business, but also to the refining and marketing business. What this means is that Suncor is usually sheltered from the volatility of oil and gas producers that are fully focused on exploration and production.

## Suncor stock will trade on management's comments on the earnings call

As we know, stock prices are a reflection of the future. They trade in response to changes in expectations. So, while Suncor's actual Q3 results will be important, management's outlook will be equally important. Every industry is very dynamic right now. Things are rapidly changing and volatile. This is largely a consequence of the coronavirus disruptions that have wreaked havoc on our lives.

## Suncor Energy stock to benefit from sustainability investment

Suncor is trying to invest in the future. Its stated greenhouse gas emissions goal is to "harness technology and innovation to reduce our emission intensity by 30% by 2030."

The use of more co-generation facilities will enable this. This is a highly efficient technology that reduces waste. Suncor will also invest in other technologies to change the way the company extracts and processes the oil sands. Lastly, Suncor is researching carbon capture and conversion technologies.

Finally, the company's initiative also includes investing in lower carbon forms of energy. Suncor has even dipped its toes into [renewable energy such as wind and biofuels](#). This signals this \$24.5 billion company's intention to be around for the long term.

## Motley Fool: The bottom line

Suncor Energy stock is looking like it has finally bottomed. WTI oil continues to hover around the \$40 mark, providing some stability and predictability in what has been an extremely volatile market. I would not be surprised if Suncor stock rose back to the \$30 level in a couple of years.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. TSX:SU (Suncor Energy Inc.)

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