



Can Suncor Stock Double Your Money?

Description

Suncor Energy's ([TSX:SU](#))([NYSE:SU](#)) stock price has pulled up from the 2020 double-dip in a nice fashion this year. The integrated energy stock closed at \$26.34 on Tuesday, up 23.4% so far this year. SU stock may have more room to run in 2021, given new predictions for a sustained rise in global oil prices this year. However, can investors expect Suncor stock to double any time soon?

The only remaining Warren Buffett stock on the TSX is recovering

Suncor Energy operates an integrated oil business that includes crude oil mining, the operation of large refineries with a capacity to process 460,000 barrels of oil per day, and it owns and operates over 1,500 gas retail and wholesale fuel outlets in North America.

Suncor is [the only remaining Warren Buffett stock](#) on the TSX today. The Oracle of Omaha cashed out on **Barrick Gold** during the final quarter of 2020.

An oil price war at the onset of the coronavirus pandemic and a subsequent slump in oil demand during lockdowns wore heavily on oil industry economics. Suncor's stock price hit multi-year lows near \$14 per share on the TSX during the meltdown of March 2020. Shares are in recovery as oil prices rebound.

Followers of Warren Buffett know that the **Berkshire Hathaway** chairman invests in strong businesses with wide moats, loads of cash flow-generation capacity, and excellent management teams. By holding onto SU stock during its severe dips last year, the investing legend seems optimistic that good times will roll again for the TSX energy stock after the COVID-19 pandemic woes.

Watch oil prices lift SU stock

Suncor Energy suffered an 11% reduction in annual production for 2020, but revenue slumped by

nearly 36% year over year due to commodity price weakness. That said, the company still managed to generate \$3.9 billion in cash flow from operations during the tough year.

SU can potentially cover its capital expenditures and fund its dividend payments at oil prices averaging US\$35 a barrel. This is promising to be a bumper year for the energy firm as oil prices surpassed US\$60 a barrel in February. Analyst [calls for US\\$72](#) oil barrel in the near term should raise investors' eyebrows.

The company could generate massive free cash flow for 2021 if oil prices remain strong. Management could further strengthen the company's resilient balance sheet and even increase the dividend. The company cut its dividend by 55% during the height of a crisis to preserve its balance sheet last year. The current \$0.21 per share quarterly payout yields 3.2% annually.

Most noteworthy, Suncor also reduced its operating expenses in a cost-cutting strategy last year. The company targets repurchasing between \$500 million and \$1 billion worth of its own shares on the market in 2021. If oil prices remain strong, the company could report profits and increasing free cash flow per share this year. SU's stock price could continue to rise steadily this year.

Foolish bottom line

Suncor's stock price has more room to run in 2021 as oil prices rebound. The company enjoys significant savings from cost-optimization programs instituted last year, the business could be more profitable going forward. Analysts maintain a mean price target of \$29.54 per share, implying a limited 14% upside on SU stock over the next 12 months. If shares are to recover to pre-pandemic levels of \$45 a share, this would imply a strong 71% upside from Tuesday's closing price.

Shares may still outperform analyst targets, but the stock may not necessarily double this year. The company is still patching up damages from the pandemic business slump. And the new Biden-led administration in the United States appears keen to increase the pain on the "dirty" oil industry. Whatever the case may be, Suncor may continue to generate massive cash flows for decades and grow its dividends.

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