1 TSX Value Stock You Can Hold for Years

Description

One of Canada's largest integrated energy companies fell out of investors' favour in 2020. The oil price war and the global pandemic beat **Suncor Energy** (TSX:SU)(NYSE:SU) to a pulp. Management had no recourse but reduced dividends by 55% last year to preserve capital and protect the balance sheet.

Nonetheless, the energy stock remains a value stock, at least to **Berkshire Hathaway**. As of December 31, 2020, Suncor Energy is the lone Canadian stock in Warren Buffett's conglomerate. It currently holds 13.8 million shares of the oil sands king. Also, the holding is significant because Berkshire counts as among Suncor's top-25 shareholders.

Investment since 2013

The GOAT of investing first bought Suncor shares in 2013. After three years, in 2016, Berkshire sold its entire position. No one expected Buffett to take a second stab at the energy stock, but he did. In Q4 2018, his company invested anew and has kept the stock since.

In Q1 2020, Berkshire trimmed its position only to buy 4.25 additional shares of Suncor in Q2 2020. Buffett's firm shed nearly 27% of the holdings but didn't sell the energy stock altogether. It seems Suncor remains a value proposition, given that Buffett invests for the long term.

Dependable assets

The investment philosophy of value investors is to buy undervalued companies versus their intrinsic values. Suncor continues to struggle in 2021, although the energy stock is up 29% year to date. If you were to invest in the oil kingpin today, the share price is $21.53, and the dividend yield is a decent 3.19%.

Suncor Energy has been generating stable cash flows and paying high dividends consistently before the COVID-19 pandemic. Its oilfields have an economic lifespan of almost 26 years. In Alberta, the company is one of the lowest cost producers. Notably, the dividend cut was a masterful stroke because it shored up the balance sheet.

The oil rebound is at hand, and Canada's biggest oil sands producers are starting to generate billions of dollars again. Suncor is the best-in-class among the group. Management projects an additional cash flow of $400 million in 2021 and $1 billion by 2023.

More effort to low-carbon future

Some market observers and green shareholders want energy companies to work seriously towards a low-carbon future. According to NEI Investment's director of corporate engagement, Jamie Bonham, NEI could drop energy stocks if progress doesn't come soon.

The criticism now is that oil sands companies need more than profit to survive. Canada has a net-zero emissions goal by 2050. Steve Peacher, president of SLC Management, a subsidiary of **Sun Life Financial**, said, "We won't lend to energy firms that we don't think are doing that."

Meanwhile, Suncor will spend additional cash on repaying debts and repurchase shares. Management has a 10% allocation of capital for a wind farm and cogeneration project. Mark Little, Suncor's CEO, said, "If you're structurally cutting shareholder returns to take their cash and invest it in the transition, that's going to be tough." He adds the company needs shareholders' and the capital markets' support.

An anchor in many stock portfolios

Suncor Energy wants to regain investors' confidence following its dismal performance last year. The energy stock has been an anchor or mainstay in many Canadian portfolios. Its incredible business model makes it a value stock to hold for years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. TSX:SU (Suncor Energy Inc.)

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