



## Should You Buy Suncor Stock Before Q1 Earnings?

### Description

Canadian oil giant **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is set to report its earnings for the first quarter of 2021 on May 3. The stock has taken a battering in 2020 and is still trading over 50% below its five-year high \$55 it hit in October 2018.

However, the second quarter of 2021 could be the period when its fortune starts to change. The [price of oil](#) has consistently been going up since it went into negative territory last April. Crude oil is now trading at US\$63.71. As the global economy reopens and starts to recover, oil prices should move higher. So should Suncor's market cap.

### Will oil hit US\$80?

One of the world's largest investment banks, **Goldman Sachs**, has predicted that oil could see its biggest ever surge in global demand and hit as much as US\$80. A *Reuters* report quoted a Goldman Sachs note that said as the vaccine rollout in Europe gathers pace and people start traveling more, it will result in "the biggest jump in oil demand ever, a 5.2 million barrels per day (bpd) rise over the next six months."

It has said that demand is going to be so huge that supply will struggle to match it. *CN Wire* also quoted Goldman Sachs saying, "We forecast a larger rebound in oil demand this summer than OPEC and the IEA, requiring an additional 2 mb/d increase in OPEC+ production from July to October."

Suncor stock seems undervalued and trades at 1.2 times book value and 1.7 times sales per share. While a lot of investors feel that big oil and energy companies like Suncor are going to find the going tough, one investor doesn't.

[Warren Buffett's Berkshire Hathaway](#) held 13.8 million Suncor shares at the end of 2020. In fact, Suncor is the only Canadian company in Berkshire's portfolio. Berkshire Hathaway's Canadian portfolio has gained almost 25% in 2021. How's that for a good bet?

## One barrier in Suncor's surge

India, the world's third-largest consumer of oil, has been battling one of the worst second waves of the pandemic in the world. It has recorded over 300,000 cases a day for the last eight days (including April 30).

The Organization of the Petroleum Exporting Countries (OPEC+) has said that it is watching the situation unfold in India closely and will decide on oil production based on India's condition. Large parts of the country went into a lockdown on the weekend, and OPEC+ has said that if the lockdowns continue to persist, it will cut down production. This means that oil prices will continue to move sideways delaying Suncor's rise. However, smart investors can use this opportunity to load up on this stock.

The stock closed April 30 at \$26.29. The company also has a forward dividend yield of 3.16%. Analysts have recommended a buy on the stock with an average target price of \$32.68. That's an upside of 22.5% from its closing price. An investment of \$10,000 in Suncor today could see you walk away with \$2,566 at the end of a year (stock increase plus dividends).

Suncor stock may gain pace if it offers better-than-expected guidance during the upcoming earnings call. In Q1, Bay Street expects [Suncor to report sales](#) of \$8.51 billion and earnings of \$0.32 per share. For 2021, its sales are forecast at \$35.2 billion while earnings are estimated at \$1.38 per share.

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