Here’s Why I’d Buy Suncor Stock Today

Description

The North American energy sector has suffered from some major disruptions in the month of May. Last week, the Colonial Pipeline, the biggest fuel line in the United States, was hit with a ransomware cyberattack. This massive pipeline supplies nearly 50% of the east coast with fuel. The news raised alarms for political leaders and, in some areas, led to gas hoarding. This event has stirred volatility. **Suncor** (TSX:SU)(NYSE:SU), one of the largest integrated oil producers in Canada, saw its stock drop 2% yesterday. However, it is already on the rebound as of late-morning trading on May 12.

Today, I want to discuss why Suncor is still well worth consideration.

Why I’m excited about this energy stock after earnings

Suncor released its first-quarter 2021 results on May 3. As predicted, the company benefited from improved oil prices in late 2020 and early 2021. Funds from operations (FFO) climbed to $2.11 billion or $1.39 per common share — up from $1.00 billion, or $0.66 per common share, in the prior year. Meanwhile, operating earnings rose to $746 million, or $0.49 per common share, compared to an operating loss of $421 million, or $0.28 per common share.

The company’s total upstream production rose to 785,900 barrels of oil equivalent per day in Q1 2021. This was up from 739,800 boe/d in the first quarter of 2020. The improvement from the fourth quarter of 2020 represented the best sequential synthetic crude oil (SCO) production in Suncor’s history.

Moreover, the company made some promising strides in reducing debt in the opening quarter of 2021. It cancelled $2.8 billion in bi-lateral credit facilities. Overall, it reduced its total debt by $1.1 billion in the first quarter.

Crude oil and refined product realizations improved in Q1 2021. In the previous year, Suncor and its peers suffered from the massive decline in demand for transportation fuel. The COVID-19 pandemic spurred a dramatic shift in worker behaviour. Millions upon millions of commuters worked solely from home over the past year. The market was also impacted by the increase in OPEC crude supply.

Here’s why you should buy the dip in Suncor stock

It may already be inappropriate to suggest buying the dip in this top energy stock. Shares of Suncor were up 3.6% in early afternoon trading on May 12. The stock has now increased 34% in 2021. Its shares are up 20% year over year.

Suncor’s return to profitability is a great sign going forward. Oil prices have continued to build momentum into the middle of the spring. The price of WTI crude was challenging the US$66 mark at the time of this writing. Meanwhile, the price of Western Canadian Select (WCS) was trading at $52.43/barrel, which is on track to challenge the 52-week high it reached in March.

Income-oriented investors will be watching these next quarters closely. Suncor was forced to reduce its quarterly dividend payout to $0.21 per share in the prior year. Still, that represents a 2.9% yield. If Suncor can continue its rebound, investors can be hopeful for a dividend hike in the quarters to come.

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aocallaghan