



TFSA Investors: This Deep Value Stock Could Be Set to Outperform

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is an [integrated energy company](#) headquartered in Calgary, Alberta, Canada. The company is one of the world's largest petroleum resource basins and is strategically focused on developing Canada's Athabasca oil sands. In addition, Suncor explores for, acquires, develops, produces, and markets crude oil in Canada and internationally.

Valuable assets

The company transports and refines crude oil, and markets petroleum and petrochemical products primarily in Canada. Suncor also operates a renewable energy business and conducts energy trading activities focused principally on the marketing and trading of crude oil, natural gas, by-products, refined products, and power.

Syncrude is Suncor's crown jewel. Suncor owns a 58.74% non-operated oil sands interest in the oil sands mining and upgrading operation of Syncrude. Suncor's oil sands segment and the Syncrude joint venture, located in the Athabasca oil sands of northeast Alberta, produce bitumen.

Financial strength

Suncor entered 2020 from a position of financial strength, with a strong [investment grade balance sheet](#), a manageable debt maturity profile, and a proven track record of shareholder returns. In response to the unprecedented challenges of 2020, Suncor took significant steps to preserve the financial health of the company by increasing liquidity, lowering the break-even point, and reducing operating costs by 12% and capital expenditures by 33%.

The company also made some difficult decisions to reduce shareholder returns, which, when combined with Suncor's disciplined adherence to financial management and capital allocation practices, were critical to maintaining the company's financial health and ensuring long-term value creation.

The execution of key strategic initiatives in 2020 provided visibility into incremental free funds flow

growth in 2021. For 2021, additional free funds flow is aimed at debt reduction and increased shareholder returns.

Further, Suncor delivered on a number of strategic initiatives that enhanced integration between Suncor and Syncrude, expanded the company's market reach, increased nameplate capacity, and reduced structural operating costs by leveraging technology. This is expected to drive free funds flow and increase shareholder returns.

Proven integrated model

From the ground to the gas station, Suncor optimizes profits through each link in the value chain. The company's broad asset base and operational flexibility allow it to optimize the production of higher value synthetic crude oil in the upstream. Suncor's extensive logistics assets and sales channels, enhanced by the company's trading and marketing expertise, drive additional value as equity barrels move down the value chain.

During the year, Suncor flexed the company's refinery product mix to meet changing demand and secured customers for the company's refined products through Suncor's retail, wholesale, and export channels. These factors enabled the company's Canadian refineries to consistently outperform industry average utilization through a year of market volatility.

Terminal expansion

Also, Suncor's integrated model was further enhanced in 2020 as it continued to invest in midstream opportunities which expanded the company's market reach and strengthened the company's sales channels.

This included the expansion of Suncor's product terminals, increased marine vessel activity, and additional pipeline arrangements which provide feedstock optionality to Suncor's refineries. This should be further enhanced when Suncor takes over the operations of Syncrude in late 2021.

Overall, Suncor could be a great stock to own in 2021 and beyond.

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Author

nikhilwaterloo

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