Suncor (TSX:SU) Stock Finally Posts a Profit! But Should You Buy?

Description

It's finally happening. **Suncor Energy** (TSX:SU)(NYSE:SU) managed to post a profit, making an enormous comeback for shareholders to latch onto during the second-earnings quarter of 2021. But Motley Fool investors may not want to start celebrating just yet. There was a lot of good news for investors to sink their teeth into. But there were a few bumps and bruises that prove Suncor stock still has a ways to go.

So, let's dig into Suncor stock and its earnings report and whether now is a good time for Motley Fool investors to buy.

From penniless to profit

Last year, Suncor stock posted a second-quarter operating loss of $1.345 billion. Fast forward to today, and investors should be thrilled to see the company posted operating earnings of $722 million! It also managed to move from a net earnings loss of $614 million to net earnings of $868 million for the second quarter.

The rebound comes from a massive increase in crude prices, of course. Suncor stock wasn't the only one to report strong earnings because of the result; it's another energy stock to rise from the ashes. The pandemic lows we have seen are finally showing signs of life, leading to incredible cash flow with higher prices.

During the second-quarter report, the company made a few commitments to investors. Suncor stock aims to cut carbon emissions by a third, while also producing production. During this quarter, upstream production rose by 7% year over year. This helped the company generate $2.4 billion in funds from operations, helping to increase shareholder returns to $1 billion with the rest targeting debt reduction.

But the growth isn't done yet. Suncor stock stated oil and gas demand should be about 13% lower than 2019 levels for the same quarter. Yet with many restrictions rising in July, for the next quarter, this should improve to just 6% lower than 2019 levels. So, there's a lot to look forward to for Suncor stock! Right?

Not so fast

There are a few things missing that analysts continue to worry about from the Suncor stock report. The first and primary issue is the company's dividend. Suncor stock has all this cash and has been using it to buy back shares in a massive repurchase program. While this bodes well for investors, some may argue the company should try to increase its dividend yet again.

Analysts believe Suncor stock is overdue for a dividend increase. Back in May 2020, Suncor stock slashed it by 55%, and reconfirmed this quarter that it will continue with a $0.84 dividend per share per year for this quarter at least.

Then there's the issue of overall growth rather than specific growth to Suncor stock. While the company is seeing growth from an increase in demand, it still has issues to deal with. For example, the company will cut oil operations at its Fort Hills facility due to "instability on the south side of the mine." While it will continue current operations for 2021, it will likely still be a blow to the company — especially as it was already shut down last year due to COVID-19.

It's items like these that actually had analysts *lowering* their price targets, even going so far as to lower from "sector outperform" to just simply "buy." Right now, the average potential upside for Suncor stock is 49%.

Foolish takeaway

So, should you buy Suncor stock after earnings? Overall, right now is a great time to buy the stock. That 50% potential upside isn't nothing, and right now, the stock trades at an incredibly cheap 1.1 price-to-book ratio. While a dividend increase hasn't happened, it likely will at least within the next year. While there are certainly some growing pains likely to happen for Suncor stock investors in the short term, in the long term, this continues to be a great option for Motley Fool investors.

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