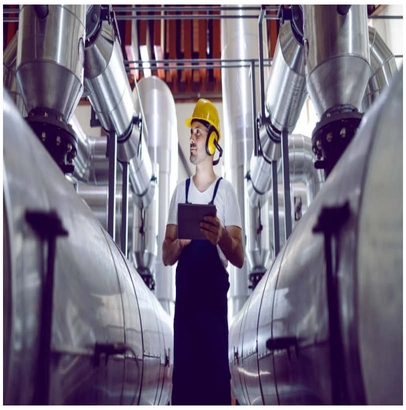

Should You Buy Suncor Stock Post Q2 Earnings?

### Description

This year has been much better for energy stocks compared to 2020. Oil prices are picking up, and energy companies are booking their fair share of profits. **Suncor Energy** (TSX:SU)(NYSE:SU) is one of Canada's largest energy companies actively engaged in production, refining, and retail operations.

After a deep plunge last year, the stock has mounted a comeback in 2021. Shares of Suncor have gained close to 17% in the first seven months of 2021.



## Increase in demand for oil

During the pandemic, the reduction in fuel demand and drop in fuel prices had badly hit the business units of Suncor. However, this year the rising oil demand has inflated the price of oil to above $70, enabling Suncor to accelerate its revenue and earnings growth in the last two quarters.

Suncor shares started trading at $31 in the month of June and have presently settled at $25. Now, as several countries are easing lockdown and travel restrictions and people are heading back to their offices, the fuel demand is rebounding further. The West Texas Intermediate (WTI) of oil is still above $70 per barrel and Suncor is poised to enjoy significant profits from this spike.

## Suncor's improved financial performance

During 2020, low oil prices had made Suncor Energy suffer a net loss for four consecutive quarters. But now the company is getting the necessary boost which is enabling it to improve its margins and therefore generate higher profits. Suncor is creating operational efficiencies and reducing its cost of production. This approach is also helping the company to get excellent margins that are followed by high-quality earnings.

Currently, Suncor's cost per barrel is around $35 WTI and this low production cost has enabled the company to spew out a tremendous level of cash flow from the spike in sales prices. The results of Q2 of 2021 showed Suncor's funds from operations in Q2 stood at $2.36 billion or $1.57 per share compared to $488 million or $0.32 per share in the year-ago period. Cash flow from operations stood at $2.086 billion or $1.39 per common share compared to just $768 million in Q2 of 2020.

Suncor’s operating earnings were $722 million or $0.48 per share compared to a loss of $1.345 billion or $0.88 per share. Its net earnings also increased to $868 million from a net loss of $614 million in this period.

In Q1 of 2021,  the company was able to repay $1.1 billion debt along with repurchasing 1% of its outstanding shares from the excess cash it had generated.

## Regular dividend payer

Despite a disastrous 2020 with piles of accumulated losses, Suncor was able to pay a dividend to its investors. However, it did make a 55% cut in its dividend payments. This year although its earnings have increased substantially, the company hasn’t increased its dividends. As of now, it has a dividend yield of only 2.9% which is not as great as its peers. However, the company is focusing on increasing its cash flows which are key to future dividend growth.

Suncor is currently on a solid financial footing. On top of that, the rising commodity prices are expected to strengthen Suncor’s cash flows further and thereby increase the room for investors’ gains. As the stock is still pretty cheap investors should not miss out on this opportunity.



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