



This 3.17% Dividend Stock Could Have a Huge Breakout

Description

An oil bellwether lost loyal followers in 2020, and then legendary value investor Warren Buffett abandoned this long-time Canadian stock holding in Q1 2021. Today, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is making up for lost ground and is out to prove that it's still a worthy [dividend play](#).

The oil sands king lost \$3.5 billion and \$614 million in the first and second quarters of 2020. However, the results in 2021 are entirely different. Suncor reported net incomes in succession of \$821 million and \$868 million in this year's first and second quarters, respectively.

In the six months ended June 30, 2021, the \$31.11 billion integrated energy company is no longer in the red. Total net earnings reached \$1.69 billion compared to a \$4.14 billion net loss in the same period last year. If you go by Suncor's earnings thus far this year, you'd be inclined to believe a huge breakout is on the horizon.

Stock performance

Suncor shares lost 47.7% in 2020, while the company's reputation for [dividend stability](#) was shattered. Management made a painful decision to cut dividends and lose its Dividend Aristocrat status. The stock price sunk to as low as \$14.29 on March 18, 2021.

As of October 1, 2021, Suncor trades at \$26.47 per share, or 85.2% higher than its COVID low. Also, the trailing one-year price return is 62.79%, while the year-to-date gain is 27.01%. Some market analysts who say the energy stock is undervalued see a 46.6% upside potential to \$38.81 in the next 12 months. Their high price target is \$46 (+73.8%).

Vastly improved cash generation

Mark Little, Suncor's president and CEO, said about the Q2 2021 results, "Suncor generated \$2.4 billion in funds from operations in the quarter while also completing significant turnaround activities in the upstream and downstream businesses." [Cash is flowing](#) again, unlike last year, when management

had to preserve cash.

Because of the vastly improved cash position, Suncor Energy increased shareholder returns by approximately \$1 billion. Little said the immediate plan for the second half of 2021 is to reduce debt some more, which aligns with management's capital-allocation strategy.

Little also revealed that the primary focus in Q2 2021 was to maximize shareholders' returns. Suncor deployed \$643 million to buy back around 23 million common shares. Total dividend payments reached \$315 million. Regarding operating earnings, Suncor reported \$722 million compared to the \$1.34 billion operating loss in Q2 2020.

Near-term plans

Suncor Energy remains a key player in Canada's energy industry. The company specializes in extracting oil from sands, although the process results in higher-than-normal emissions. However, reducing carbon emission is a top priority, and therefore, Suncor is increasing exposure to renewable energy sources.

The company is part of the Oil Sands Pathway to Net Zero alliance, which includes **Canadian Natural Resources, Cenovus Energy, Imperial Oil, and MEG Energy**. Their goal is to achieve net-zero greenhouse gas (GHG) emissions from oil sands operations by 2050.

Meanwhile, Suncor will continue with its plans to lower cost base structurally and improve productivity. Effective October 1, 2021, the company is the operator of Syncrude Joint Venture, the largest oil sands operation in 2020.

Dividend growth

Be ready for Suncor Energy to be at the helm of oil sands again. The current 3.17% dividend should also increase with the 25% CAGR target for its yield.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. metienne

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/09/06

Date Created

2021/10/05

Author

cliew

default watermark

default watermark