Is Suncor Energy (TSX:SU) Stock Worth Buying After its Q3 Earnings?

Description

Suncor Energy (TSX:SU)(NYSE:SU) announced its Q3 2021 results on Wednesday after the market closed. Yesterday, the Canadian energy company's stock remained under pressure and fell by 3.7% to close at $28.22 — mainly due to an intraday drop in oil prices and the ongoing broader market correction. On the positive side, improving business environment and strong refinery utilization rate helped the company post strong results in the third quarter. Before I discuss whether it's the right time to buy its stock right now, let's take a closer look at some key highlights from Suncor Energy's latest quarterly results.

Suncor Energy's Q3 2021 earnings

In the September quarter, Suncor's total revenue increased by 58% YoY (year over year) and 12% sequentially to $10.2 billion due to a rise in its refined product sales. The company generated $2.6 billion in funds from operations with the help of its strong refining and marketing business results. As a result, Suncor Energy's operating earnings for the quarter stood at $0.71 per share compared to its operating loss of $0.22 per share in the third quarter of 2020.

In its third-quarter earnings report, the company highlighted rising oil and refined product prices, surging demand, and its robust refinery utilization rate as key factors that helped it post strong quarterly results. Notably, its refinery utilization rate was close to 99% in the third quarter compared to 87% in the previous quarter.

Other key factors and outlook

Suncor's overall costs increased in the last quarter due to rising crude oil production. Nonetheless, higher production also helped the company achieve lower cash operating costs per barrel at oil sands operations. Going forward in the fourth quarter, the management expects Suncor's operating costs to remain in line with the first three quarters of the year due to a planned increase in its upstream production volumes.

In 2021 so far, the company has managed to significantly reduce its net debt by $3.1 billion and expect it to reduce further in the coming quarters. During Q4 2021, Suncor expects its net debt to reach 2019 levels.

After facing several difficulties during the COVID-19 phase, Suncor Energy cut its dividend to $0.21 per share in Q2 2020 from $0.47 per share in the previous quarter. To add optimism, the company also doubled its per share dividend to $0.42, taking it back to its 2019 dividend levels.

Is SU stock worth buying after its Q3 results?

Suncor Energy stock lost nearly 50% of its value in 2020 as the global pandemic-related woes badly affected oil prices and energy demand. After ending 2020 at $21.35 per share, the stock has risen by nearly 32% this year so far. However, it's still trading 34% lower than its 2019 closing price of $42.53 per share.

No matter how investors reacted immediately after its Q3 results, SU stock could still be worth buying for the long term at the moment, in my opinion. The recent strength in oil prices and energy demand — along with Suncor's improving debt position, increasing dividends, and strong outlook — make this Canadian dividend stock attractive.

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jparashar