



## Energy Stock Alert: Why Suncor Stock Soared 13% Yesterday

### Description

Early last month, I'd written that [Suncor Energy \(TSX:SU\)\(NYSE:SU\)](#) stock was depressed. I'd noted, "A normalized environment should drive a rebound in the stock. Let's say the stock only recovers partially to \$35 per share, it would still be an incredible near-term upside of 49% from \$23.47 per share at writing. Furthermore, it also provides a nice yield of almost 3.6% that adds to total returns."

How I wish I listened to my own advice and picked up some shares. Yesterday alone, the energy stock rallied more than 13%. At \$32 per share, it is 36% higher than when I'd discussed it less than two months ago. That would be an awesome return even on an annualized scale! So, why did Suncor stock soar?

### Why did Suncor stock soar 13% yesterday?

After the stock market closed on Wednesday, Suncor stock released its third-quarter (Q3) results, and the stock reacted by flying. Investors have multiple reasons to be bullish.

First, the large-cap integrated energy company witnessed a strong rebound in its operating cash flow that signified a continued recovery since Q1. Specifically, Suncor Energy's funds from operations came in at \$2.6 billion for the quarter, more than a double from Q3 2020! Additionally, the business also swung from an operating loss in 2020 to operating earnings of \$2.5 billion year to date with a quarter-over-quarter jump of 44%.

Second, the board of directors reinstated the Suncor common stock dividend back to the 2019 levels of \$0.42 per share per quarter. Recall that the company cut its dividend by half during the pandemic in May 2020. The restored dividend is a big confidence booster for investors. The new annualized payout of \$1.68 per share — a yield of 5.25% at \$32 per share — will surely attract dividend investors.

Third, Suncor's balance sheet has improved substantially. Since the start of the year, the company has reduced its net debt by \$3.1 billion. Simultaneously, management still maintained a nice dividend given the challenging operating environment and managed to buy back meaningful shares at cheap valuations. Year to date, Suncor repurchased \$1.7 billion worth of common stock — equivalent to 4.1%

of Suncor outstanding common shares — for \$26.39 per share.

## The Foolish investor takeaway

[Suncor stock](#) is cyclical, as illustrated by the large ups and downs in its long-term stock price chart. I recommend investors to actively invest in the stock, aiming to buy low and sell high. However, it's easier said than done. Different investors will have a different opinion on what's considered low or high.



SU data by YCharts

The energy stock appreciated 13% yesterday and still has room to run potentially to the \$40-per-share level over the next 12 months. However, allow me to give a friendly reminder that the stock has already climbed approximately 36% from the September level. The easy money has been made — mostly driven by a low valuation before and the high oil prices we're experiencing now.

Suncor's assumptions of oil prices for this year are 17-20% lower than where they are now. Whenever oil prices retreat from here to more normalized levels, energy stocks, including SU stock, will likely suffer.

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