



Suncor Stock (TSX:SU): A Hidden Gem Dividend Stock?

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) recently reported its earnings report, and investors were treated to a great surprise. Suncor stock finally increased its dividend — and even better — it doubled it. The stock now has a 5.10% dividend yield as of writing for investors to enjoy.

On top of that, the company's strong earnings have sent shares climbing. But Motley Fool investors have to start asking themselves: Is all this enough for a long-term investment?

Growth

Suncor stock grew after a stellar earnings report. The company that announced funds from operations more than doubled year over year to \$2.641 billion, with operating earnings at \$1.043 billion, compared to a loss the year before. Suncor stock also achieved 99% refinery utilization, compared to 87% the year before, and expects demand to only increase. The company increased its buy-back program, repurchasing 28 million common shares during the last quarter.

The news sent shares climbing about 18%, and shares have since stabilized around the \$33 mark. Yet it remains in value territory, with a P/E ratio at 20.76, and an EV/EBITDA of 14.82 as of writing. There is positive momentum happening around the stock, and management believes it can confidently increase its dividend because of it.

The dividend

And that's exactly what they did. Suncor stock doubled its dividend to \$1.68 per year per share, a yield of 5.10% as of writing. This looks to be supported by sustainable growth in the next few years, and this year alone was updated as well. Suncor stock believes it will now reach between \$1.4 and \$1.7 billion in revenue. That's an increase from the expected \$1.2 to \$1.5 billion.

But if you're a long-term investor (and I'm talking *decades*), how stable is this dividend stock in the future? Suncor stock is now back where it was before the pandemic. But was that so great? And I'm

just talking about its dividend. Suncor stock still has a lot further to go before it reaches the \$55 per share of 2018 levels.

Is it enough?

It's not clear whether the company will reach that level any time soon. Renewable energy projects are all the rage because it's where investment needs to be. Big banks have declared they will soon release themselves of investment in oil and gas companies, which would include Suncor stock. So, what then?

Suncor stock doesn't have too much investment in renewable energy, but it'll have to if it hopes to continue as a major energy provider. The company has a significant investment in the oil sands, and it will have to try and take it for all its worth before moving on to something else.

So while that dividend looks good when we say it doubled, I'm not sure it's enough for today's investor. You might see some short-term returns, but if you're looking for a decade or more stock, Suncor stock may not be for you. Instead, now may be the time to look at the cheaper renewable energy companies that also have [dividends](#), and hold them without a worry for decades to come.

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