



Suncor Stock Slumps 11% in November: Will it Surge in December?

Description

Shares of Canada's energy heavyweight **Suncor** ([TSX:SU](#))([NYSE:SU](#)) fell by almost 11% in the month of November. Despite the recent pullback, Suncor stock has gained over 50% in the last year, valuing the company at a market cap of \$45 billion and an enterprise value of \$62 billion.

However, investors should also note that after adjusting for dividends, Suncor stock is still down 13.5% in the last five years and has returned just 37% in the last decade, grossly underperforming the broader markets.

Let's see if Suncor can stage a rebound in December as well as in 2022 or if it will keep trailing the indexes in the future.

The bull case for Suncor stock

Suncor Energy is part of the highly cyclical oil and gas industry. But it is one of the safest options if you aim to benefit from higher crude oil prices. Despite volatile commodity prices, Suncor has managed to report a positive net income in four of the last five years.

As crude oil prices touched multi-year lows in mid-2020, Suncor reported over a billion dollars in non-cash impairment charges. However, as economies reopened, Suncor's net earnings stood at \$2.6 billion in the first nine months of 2021 compared to a loss of \$4.2 billion in the year-ago period.

This allowed the company to [lower net debt](#) by \$3.1 billion year to date, as its revenue increased by 51% to \$27.9 billion in this period. Suncor's operating cash flows in the last three quarters also rose to \$9.1 billion, up from just \$1.9 billion in the year-ago period.

Another important metric that will cheer investors is Suncor's dividend raises. It recently doubled quarterly dividend payouts to \$0.42 per share and has adjusted earnings of \$0.59 per share, which suggests it has enough room to increase dividends further.

Suncor investors can now enjoy a forward dividend yield of 5.43%, which means an investment of

\$10,000 in Suncor stock will allow you to generate \$5,430 in annual dividends. If you hold the stock [in your TFSA](#), these payouts will be exempt from Canada Revenue Agency taxes.

What's next for Suncor investors?

Suncor is focused on improving shareholder wealth and it returned \$1 billion to investors in the form of dividends (\$310 million) and buybacks (\$700 million) in Q3. It repurchased 28 million shares at an average price of \$25 per share in the quarter ended in September.

Suncor reported its third-best Q3 results in its downstream's history, despite a less-than-normal business environment. Compared to Q3 of 2019, average product demand was lower by 7%, but Suncor's sales channels remained similar in this period. The company's strong performance is a key driver towards realizing higher margins, and this trend is expected to continue going forward as well.

Suncor now aims to lower cash breakeven by capturing \$2 billion of annual free funds flow initiatives, and it remains on track to deliver \$450 million of incremental annual funds flow via margin enhancements, making it a solid bet for 2022, given the recent decline in stock prices.

Analysts have a 12-month average price target of \$39.3 for Suncor stock, which is 30% above its current trading price. After accounting for its tasty dividend yield, annual returns might be closer to 36%.

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