



Why Suncor Energy (TSX:SU) Stock Jumped 50% in 2021

Description

What happened?

The energy sector stole the limelight in 2021 and notably outperformed broader markets. While Canadian markets at large gained 20%, TSX energy stocks soared a massive 80% last year. Among the bigwigs, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock gained 50% but lagged peers. Though that's a handsome gain in absolute terms, Suncor's relative underperformance should concern shareholders.

So what?

Oil and gas prices notably increased last year, driven by surging demand and constrained supply. Energy companies, including Suncor Energy, saw a huge earnings recovery in 2021 due to higher energy prices.

The company reported a net profit of \$2.4 billion in the last 12 months against a \$4.3 billion loss in 2020. Suncor doubled its [dividend](#) in 2021, which was halved in the earlier year on the back of the pandemic. It currently yields 5.6%, the highest among peers.

In addition, Suncor Energy repaid \$3.1 billion of its debt, which improved its balance sheet strength. Improving leverage could significantly positively impact shareholder returns in the long term. Suncor's debt payments and dividend hikes indicate the management's confidence in the company's future earnings growth.

Suncor Energy [aims](#) to invest \$4.7 billion in 2022 — approximately 15% higher than the 2021 expected plan. However, this spending guidance is lower by \$300 million than its previous outlook. Moreover, Suncor expects to produce 750,000 to 790,000 barrels of oil equivalent per day (boe/d) — almost 5% higher than in 2021.

Suncor's downstream operations witnessed huge growth in the last few quarters when restrictions

eased to some extent. The segment could continue to see superior financial growth in 2022 amid full re-openings.

Some small-cap energy [TSX stocks](#) went to the moon and outperformed energy bigwigs in 2021. For example, **Vermilion Energy** gained 180%, while **Birchcliff Energy** zoomed an eye-popping 265% last year.

Now what?

Suncor Energy's higher production guidance amid rising energy prices places it well for 2022. Interestingly, investors can expect another decent dividend hike and even more aggressive debt repayments from Suncor Energy, considering higher free cash flows this year.

Though Omicron could be a threat in the short term, it will not likely significantly hamper corporate earnings growth. SU could be an attractive bet going into 2022, mainly due to its strong earnings growth prospects and an upbeat outlook for the sector.

CATEGORY

1. Energy Stocks
2. Investing

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. kduncombe
2. vinitkularni20

Category

1. Energy Stocks
2. Investing

Date

2025/07/06

Date Created

2022/01/03

Author

vinitkularni20

default watermark

default watermark