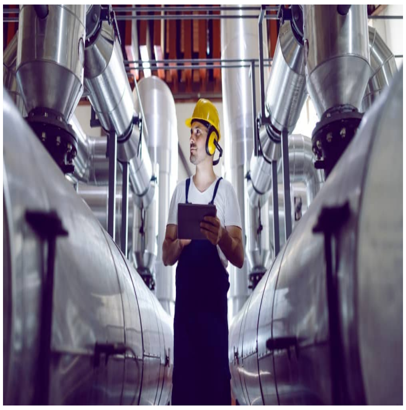

3 Reasons to Buy Suncor (TSX:SU) Stock Today

Description

If we gauge the state of the Canadian energy sector with **S&P/TSX Capped Energy Index**, it's easy to see that the sector is experiencing the most aggressive bullish phase of the last decade. The index has grown well over 300% from its lowest point in 2022 till now, which is unusually rapid for such a "heavy" sector.

This growth is reflected in almost all the sector's constituents — some of which experienced more paced growth while others rose more than the sector. It seems to be the perfect time to consider buying the Dividend Aristocrat that slashed its payouts due to the harsh economic realities of 2020 but might still be a powerful buy — the oil sands king of Canada, **Suncor** (TSX:SU)(NYSE:SU).

There are several reasons to consider adding it to your portfolio.

Reason #1: Dividend recovery

The first reason to consider buying Suncor is, ironically, the very reason why many people *exited* the company: dividends. In 2020, the company decided to brutally slash its payouts from $0.465 per share to $0.21 per share, something the company didn't do even in 2015 when the payout ratio went through the roof.

But Suncor started turning things around in 2021 when it doubled its payouts in the last quarter, though it still has to grow them a bit more to reach the former level. And if the company starts raising its payouts again, it may become a potent dividend holding, especially if you lock in the healthy 4.5% dividend yield right now.

Reason #2: Business model

Suncor's business model relies quite heavily on oil sands. But it's also one of the most well-established integrated energy giants in the country. From its various extraction sites to refineries to over 1,500 retail locations, Suncor has a handle on end-to-end energy consumption (at least one segment).

Suncor is also focusing on renewables and already has about 111 MW production capacity from the wind under its belt.

Reason #3: Q4 2021 earnings

The fourth quarter of 2021 was drastically different from the last quarter a year before. Compared to suffering a loss of 168 million, the company enjoyed net earnings of about $1.5 billion. That's a radical shift in the positive direction. Almost all of the company's divisions were massively successful, including oil sands, which made up the bulk of the net earnings.

The fourth-quarter earnings concluded a year of successful operations and profitable quarters — a stark contrast from the 2020 ones. The strong earnings are likely to reflect in the dividend sustainability and growth as well. It's already boosting the capital-appreciation potential of the stock, as it has grown up over 11% in 2022 alone.

Foolish takeaway

WTI prices are the highest they have been since 2014, and they are still hovering near the most recent peak. However, the trajectory from now on can be quite volatile and unpredictable as the global tensions, including two oil giants, the U.S. and Russia, are growing. But you can still take advantage of the oil bull market by investing now.

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