



Suncor (TSX:SU) Stock Is Up 29.3% in 2022: Buy or Sell?

Description

The **S&P/TSX Composite Index** finished higher on March 11, 2022, for its third consecutive week-over-week gains. Apart from the resiliency of Canada's primary stock market, the loonie is starting to gain ground against the U.S. dollar. Another positive development is the 5.5% unemployment rate in February 2022 that is lower than before the coronavirus breakout.

Meanwhile, the energy sector continues to lead the charge for the TSX. The top-performing sector's gain, thus far, is 34.36%. The materials (+20.48%) and communications services (+8.25%) sectors are second and third, with year-to-date gains of 20.48% and 8.25%, respectively.

As usual this year, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is among the most heavily traded stocks. The oil bellwether has made an incredible comeback since losing its dividend aristocrat status in 2020. Current investors are up 29.3% year-to-date and enjoy a hefty 4.15% dividend. The yield is back to pre-pandemic levels.

Suncor's [momentum](#) should continue as oil prices remain in [record territory](#). Based on market analysts' forecasts, the energy stock could climb by as much as 48.2% to \$60. If you invest today, the share price is \$40.49.

Windfall to shareholders

Suncor Energy lost loyal investors when it slashed dividends by 55% in Q1 2020 due to the oil price war and global pandemic. However, the move was necessary to conserve capital and protect the balance sheet. But thanks to the rebound in oil prices, the \$57.95 billion integrated oil company was able to regain investors' confidence.

Mark Little, Suncor's President and CEO, said, "Our [increased cash flows](#) in 2021 enabled us to exceed our shareholder return targets for the year through increased dividends and accelerated share repurchases, while at the same time strengthening our balance sheet through accelerated debt reduction."

In Q4 2021 alone, adjusted funds from operations reached \$3.1 billion notwithstanding the operational challenges. According to Little, it was the highest quarterly adjusted funds from operations in Suncor's history. It also resulted in an 11% increase on a per common share basis versus the last per share quarterly record.

Based on company records, Suncor has returned \$2.6 billion to shareholders since the start of 2021. This was a combination of dividends (\$607 million) and share repurchases. The dividend hike for the year was 100%. Furthermore, management reduced net debt by \$3.1 billion.

Little adds, "In 2021, we reduced our debt at the highest annual pace in the company's history and maximized the returns to our shareholders." The near-term plan is to buy back more shares of up to 7% of the company.

Strengthened balance sheet

Little said Suncor is well-positioned to execute on its 2022 strategic initiatives after exiting 2021 with a strengthened balance sheet. The focus this year will be on operational excellence, shareholder returns, and optimization of the existing base business. Management also expects significant progress in carbon emissions reduction across Suncor's value chain.

The Syncrude operator likewise expects to realize \$100 million in annual gross synergies from joint-venture owners this year. It should add \$200 million more until 2023. For investors looking for capital growth and income streams, Suncor is a top choice right now.

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