This 1 Energy Stock Grew Over 50% in 1 Year

Description

Canada's oil bellwether seems to have regained investors' confidence following an unforgettable performance in 2020. **Suncor Energy** (TSX:SU)(NYSE:SU) lost 47.7% during the first COVID year, but came back strong to end at $31.31 at year-end 2021 for an overall return of 53.9%.

As of this writing, this energy stock trades at $40.50 per share, for a year-to-date gain of 29.4%. The trailing one-year price return is 61.41%. Suncor Energy is also among TSX's most active stocks, as evidenced by the heavy trading volume in recent weeks. Income investors are likewise pleased with the return of the dividend yield (4.15%) to pre-pandemic levels.

Massive profits and cash flows

Like most oil producers, Suncor Energy benefits from rising oil prices. The $59.97 billion vertically integrated energy company reported net earnings of $4.11 billion in 2021 compared to the $4.31 billion net loss in 2020. In Q4 2021, cash flow provided by operating activities ballooned 221.3% to $2.61 billion versus Q4 2020.

Furthermore, the $3.1 billion adjusted funds from operations during the quarter was the highest ever in a quarter for Suncor. President and CEO Mark Little said, "Our increased cash flows in 2021 enabled us to exceed our shareholder return targets for the year."

Besides increasing dividends and share repurchases, the accelerated debt reduction strengthened Suncor's balance sheet. As of year-end 2021, net debt was $16.1 billion, or $3.7 billion lower than year-end 2020. The pace of the debt reduction was also the fastest ever. Management repurchased $2.3 billion worth of its common shares and paid $1.6 billion in dividends.

Financing support

Notwithstanding the growing pressure to prioritize the fight against climate change, Suncor Energy and oil sands peers received ample financial support from Canada's Big Banks. Based on published reports, the country's top lenders doubled their financing for tar sands producers and pipeline companies to $16.8 billion.

According to Rainforest Action Network, the collective lending of **RBC**, **Toronto Dominion Bank**, and **CIBC** increased $9.1 billion last year. The Big Five banks, including **BNS** and **BMO**, joined the Net-Zero Banking Alliance. All of them committed to reach net zero emissions by 2050 across their operations and portfolios.

Data from DeSmog reveals that there are 13 directors in the five Canadian banks that have current or past close links to oil sands players, including Suncor and **Cenovus Energy**. Nevertheless, senior executives from RBC, CIBC, and BMO said Canada's oil sands are best positioned to lead the energy transformation.

A potential backlash

Suncor's announcement on April 4, 2022, that it will divest its solar and wind assets drew criticism from Greenpeace. Keith Stewart, chief energy strategist at Greenpeace Canada, said, "The timing of Suncor's announcement is akin to "buying Blockbuster stock the day **Netflix** launches an IPO."

Management will instead strengthen its focus on hydrogen and renewable fuels. The shift in focus should accelerate progress toward Suncor's objective to be a net-zero company by 2050. Little said, "While Suncor is in the fortunate position of being long on opportunities, we are adjusting our portfolio for fit and focus."

Suncor's current share price is 2.9% lower since the announcement. However, analysts covering the stock still see a return potential between 15.6% and 48.1% in 12 months.

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. cliew
2. jguest

Category

1. Energy Stocks
2. Investing

Date
2025/07/21
Date Created
2022/04/14
Author
cliew