# Up Over 30%: Is There More Upside to Suncor Energy (TSX:SU)?

### Description

The ongoing Russia-Ukraine war, subsequent sanctions on Russian oil, and the slower than expected increase in oil production by OPEC+ countries have driven oil prices higher. Currently, WTI oil trades at over US$100/barrel. The rise in oil prices and solid fourth-quarter performance have increased **Suncor Energy**'s (TSX:SU)(NYSE:SU) stock price. It currently trades 34% higher for this year, outperforming the broader equity markets.



Amid the recent surge, does Suncor Energy still look attractive at these levels? First, let's look at its recently reported fourth-quarter performance and growth prospects.

## Fourth-quarter performance

Suncor Energy reported a solid fourth-quarter performance in February. Its adjusted operating earnings came in at $1.29 billion compared to a loss of $109 million in the previous year's quarter. Higher crude oil prices and higher price realization from refined products drove its financials. Meanwhile, the company's upstream production declined by 15,000 barrels of oil equivalent per day due to lower production from its exploration and production assets and the Golden Eagle sale in October 2021.

The company also repaid $3.7 billion of its debt last year, returning its debt to 2019 levels at $16.1 billion. It also returned $3.9 billion to its shareholders through share repurchases and dividends. Now, let's look at its growth prospects.

## Suncor Energy's growth prospects

After crossing the US$130/barrel mark last month, WTI crude has cooled off to trade around US$100/barrel. However, analysts are bullish on oil amid continued sanctions on Russia, improving economic activities, and OPEC+ countries struggling to meet their output quota. **Goldman Sachs** analysts expect WTI oil to reach US$125/barrel in the second half of this year. Given its long-life, low-decline assets, the company can cover its operating expenses, sustainable capital investments, and pay dividends, provided WTI oil trades around US$35/barrel. With oil expected to trade at elevated levels, the company could enjoy higher margins.

Further, Suncor Energy expects to invest around $4.7 million this year, with a focus on maintenance and optimization. Besides, the company's production could increase by 5% amid the support from the ramp-up of its Fort Hills operations, which could operate at 90% of its throughput. The company's refinery utilization rate could also improve. The company has also approved a new share repurchase program, and will repurchase 5% of its outstanding shares this year. Also, the decline in debt levels could lower its interest expenses. So, the company's outlook looks healthy.

## Dividends and valuation

Supported by the improvement in the market environment and its strong financials, Suncor Energy doubled its quarterly dividend to $0.42/share in October. Meanwhile, its forward yield stands at a healthy 4%.

Despite rising over 34% this year, Suncor Energy still trades at an attractive next 12 months (NTM) price-to-sales and NTM price-to-earnings multiples of 1.5 and 6.3, respectively.

## Bottom line



Amid elevated oil prices, increasing production, lower interest expenses, and share repurchases, I expect Suncor Energy's financials and stock price to rise in the coming quarters. Meanwhile, analysts are also bullish on the stock. Of the 21 analysts covering the stock, 13 have issued a 'buy' rating, while the remaining eight favour a 'hold' rating.

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