



Suncor Energy (TSX:SU) Stock: Still a Great Value

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is one of Canada's most popular energy stocks for a reason. With many lucrative E&P projects and a huge network of gas stations, it is virtually a money-printing machine. While the company does need oil above \$40 to turn a profit, it's pure gravy at that price and higher. And today, oil prices are way above what Suncor needs to break even.

In its [most recent quarter](#), Suncor delivered the best earnings in its entire history. Yet its stock remains way down from all-time highs. The stock certainly looks like a great value today. In this article, I will make the case that it is indeed a great value, even after all the gains it has already posted this year.

Suncor earnings recap

Suncor's [most recent quarter](#) was a pretty big success. It beat analyst estimates, boasting metrics like

- \$4 billion in adjusted funds from operations. On a per-share basis, the growth was in excess of 100%;
- \$2.9 billion in net income, up 253%; and
- \$728 million in net debt reduction.

Those are all very solid results. And thanks to the debt reduction, Suncor has the potential to keep the good times rolling. Whenever a company reduces its debt, it reduces future interest expenses, paving the way for higher earnings in the future. So, Suncor is delivering on just about every level you'd want it to.

What's in store for next quarter?

It's one thing to note that Suncor had a great quarter but quite another thing to predict that the great results to continue. In order for Suncor to match its Q1 performance in Q2, it will need a few ingredients in place:

- Oil prices above \$100
- Strong production
- Not too many costs

I can't give you a short-term oil price forecast, because, ultimately, nobody knows how that will play out. OPEC could crash oil overnight by deciding on a 20% output hike, assuming they had the capacity to do it. So, short-term oil forecasts are never reliable; a few key individuals in the industry can always do something unexpected. With that said, Russia's oil is going to be held up for the foreseeable future, and China's lockdowns won't last forever. These are solid indications that even in Q2, oil prices will be fairly high.

As for production levels, Suncor does not currently have any major impediments to its ability to produce oil. Its operations are moving along smoothly and there haven't been any reports of logistical issues on the ground level.

Regarding costs, we know that, in fact, one of Suncor's costs is going down. The company is paying off its debt, so its interest expenses are likely to be lower in the upcoming quarter. That doesn't mean total costs will go down in Q2, but it could help with costs a little. On the flipside, if Suncor ramps up production, it might face higher labour costs, so it's a mixed picture. One thing is for sure, though: if oil prices remain high, then Suncor will outperform the average TSX stock.

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. andrewbutton
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date

2025/08/17

Date Created

2022/05/14

Author

andrewbutton

default watermark

default watermark