



Suncor Energy Stock Could Have More Room to Run

Description

Shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) have really heated up of late, thanks in part to the unprecedented surge in the price of oil. With the war in Ukraine getting worse with time, there are reasons to believe that the days of US\$100-120 WTI (West Texas Intermediate) are here to stay. Indeed, many beginner investors likely rid their portfolio of fossil fuels stocks in 2020, when tech and green energy were the best performers. Eventually, the tides turned, and it's those severely out-of-favour fossil fuel plays that are keeping the broader TSX Index elevated.

Undoubtedly, Suncor Energy is a name that many threw in the towel on when oil prices imploded, and the firm axed its dividend. Though the firm was wrong to reduce its payout, I think that investors discounted the odds the firm would raise once industry conditions improved.

Year to date, shares of SU are up 47%. That's a really great result, especially given the S&P 500 is just a hair away from falling into a bear market.

Suncor stock has been incredibly hot, but it hasn't been as hot as it could have been

Since the 2020 bottom, Suncor stock has more than tripled! Indeed, it's really hard to complain with the returns clocked in by SU stock. However, it is noteworthy that Suncor stock has been a relative underperformer. Suncor only recently eclipsed its 2020 pre-pandemic high, while many of its peers in the Albertan oil patch have already skyrocketed above and beyond their 2020 highs.

With an activist investor taking a big stake in Suncor, there's bound to be a push for change. It's the questionable safety record of Suncor that came into question as a part of Elliot Management's activist campaign. The activist is known for pressuring firms to be the best that they can be. Suncor's operations have room for improvement. Though nobody knows if Suncor's current CEO Mark. S. Little will keep his position amid Elliot's involvement; I think that activist involvement is only a good thing.

Suncor stock has plenty of room to the upside if it can improve its safety track record while improving

upon efficiency shortcomings. At writing, Suncor shares trade at 11.3 times trailing earnings alongside a 3.9% dividend yield. That's a [ridiculously low multiple](#) for a firm that's doubled up many times over in recent years.

Could activist involvement create value for long-term shareholders in Suncor?

Activist involvement, I believe, can only be a good thing. Elliot Management is an owner with a 3.4% stake in the company. Whether or not the firm is due for a big shake-up at the executive suite, I think investors have a lot to look forward to over the next year.

Industry tailwinds are at the back of Suncor. If the firm can experience idiosyncratic improvement, all the better. With one of the lower multiples in the big-oil scene and a bountiful dividend yield, I wouldn't hesitate to buy the name on recent momentum. The way I see it, Suncor has room to outpace its rivals.

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