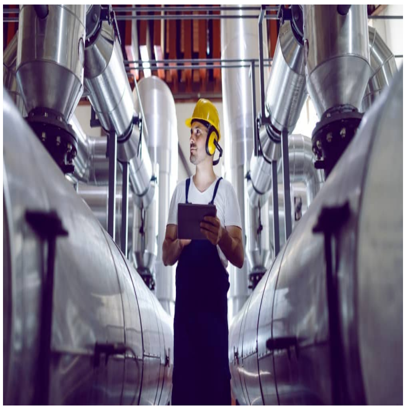

Suncor (TSX:SU): Is it Time to Invest in the Oil Stock?

Description

The entire stock market has had quite a ride in the last few years. Energy sector stocks like **Suncor Energy** (TSX:SU)(NYSE:SU) have been on a roller coaster, especially in the last few months. The global energy industry has been in a strange state of flux since the start of the Russia-Ukraine war, and the compounding effects of several interest rate hikes.

default watermark

Energy giants like Suncor stock are in a state of limbo right now. Some believe that the energy sector will see its performance on the stock market worsen due to the outlook of dwindling energy demand as prices rise. Others are confident that Suncor stock remains a good value buy for long-term investors.

Today, we will take a closer look at where the integrated energy company stock stands and whether it could make for a good investment to consider.

Suncor takes a major hit after oil sands plant accident

Employee safety is a major concern across all industries. Suncor's recent announcement of a worker passing away just a few days before the company's oil sands operations presentation on July 13 to update investors on production, reliability, safety plans, and performance came as a shock.

The incident occurred at the Base Plant Mine located north of Fort McMurray in Alberta. It was the second fatality at the site this year.

Such a massive tragedy has shaken investor confidence in the company. An Alberta Occupational Health and Safety investigation is underway. Chief Executive Mark Little has taken responsibility for the deaths and resigned. He said the safety problems need to be addressed.

Suncor stock trades for $39.74 per share at writing, down by over 25% from its June 8, 2022, high. Suncor stock is up by almost 20% year to date, despite the recent-most decline. The latest pullback in its share prices could be attributed to a lack of investor faith in Canada's third-largest oil producer. However, the downturn was most likely inevitable after its rapid rise.

Determining whether it could be a good investment at current levels depends on its valuation and the outlook for the energy industry.

Is it undervalued right now?

Suncor's recent-most quarter saw a stellar performance by the company. Its upstream and downstream operations delivered strong results. The adjusted cash flow from its operations was $4 billion, almost twice the amount in the same period last year. Suncor trades for a trailing price-to-earnings multiple of 9.17.

Additionally, Suncor stock's earnings estimates are rising. It means that the oil stock appears attractive based on its current valuation, and it might be even more valuable than its multiples currently indicate.

What about the demand outlook?

Suncor's share prices have seen many ups and downs in the last few years, much like crude oil prices. Crude oil prices are considerably higher than they were when 2020 began, but they have come down significantly from their recent most highs of $115 per barrel. Despite decreasing crude oil prices, Suncor stock's share prices have been doing comparatively better than black gold's prices.

default watermark

Suncor's financial performance has also been strong lately. The company has generated substantial cash flows, most of which it has returned to shareholders through a massive 12% dividend hike.

Suncor's integrated structure has been a major reason for its stellar performance. Its upstream operations generate revenue through oil sands operations. It also generates significant revenue through its midstream business through refinery operations.

The supply issues have primarily been the reason for the oil industry's weakness, but demand will not drop to devastating levels. OPEC expects demand to increase next year, despite limited production capacity.

Foolish takeaway

Suncor stock's performance on the stock market has not been great due to several factors. However, its valuation appears to be attractive, and the outlook for the oil and gas industry remains strong. Its lower share prices have also inflated its dividend yield to 4.73%. It could be a good time to invest in its shares for potential capital gains and dividend income.

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. adamothman
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date
2025/08/18
Date Created
2022/07/21
Author
adamothman

default watermark

default watermark