



Suncor Stock: Should You Buy Before or After Q2 2022 Earnings?

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) is expected to report Q2 2022 earnings on August 4 after markets close. Investors who missed the rally earlier this year and have watched SU stock plunge in recent weeks are wondering if they should buy before the earnings are announced.

Oil market

WTI oil trades near US\$96 per barrel at the time of writing. That's down from the double peak above US\$120 the price reached in March and early June this year but still up 50% in 2022 and 33% higher than a year ago.

Traders are trying to decide if a potential global recession will reduce demand enough to alleviate the tight market conditions. Analysts widely expect oil demand to continue to grow, even if an economic downturn materializes next year. Industry executives say the lack of investment in new production over the past two years, and [environmental, social, and governance \(ESG\)](#) pressures to reduce emissions in the future are limiting the sector's ability to boost supply to meet anticipated demand.

Producers who have the ability to add more supply are happy to just invest the capital required to maintain output and use all the excess cash to reduce debt and reward investors with higher dividends and share buybacks.

It is reasonable to expect demand growth to remain robust in the coming 12-24 months. China could ramp up consumption once COVID-19 lockdowns end. At the same time, the market might not fully appreciate how high gasoline demand could soar starting this fall. Companies are calling employees back to the office. A new wave of commuters will hit the roads when kids go back to school. Most people will likely be in the office two or three days per week. The hybrid arrangements could actually make roads even busier than before the pandemic when employees commuted all five days.

Why?

People who historically took public transit will still want to avoid being crammed in subways and buses

and could simply decide to drive for the days they have to be in the office.

Air travel is also expected to grow steadily once airlines get through the bottlenecks that have occurred this summer. Several airlines have announced large new plane orders in recent weeks. This suggests demand for travel is strong and capacity is set to increase considerably.

Volatility in oil prices should be expected, but the case for steady US\$100 per barrel oil, or higher, over the next couple of years is compelling, even if a recession emerges.

Is Suncor stock a buy?

Suncor's CEO recently left the company amid pressure from an activist investor. A shakeup on the board has also occurred. Among other things, investors could see Suncor sell its retail division to unlock value. Analysts suggest Suncor could get as much as \$10 billion for the group or even more in a bidding war. That could lead to a special dividend.

The Q2 2022 results should be strong and might be even better than the market anticipates. Suncor's production operations enjoyed strong margins in Q2 and the rebound in the refining and retail businesses likely continued after the pandemic slump.

Suncor raised the dividend by 100% late last year. The board increased the payout another 12% when Suncor announced the Q1 results. Further payout increases could be on the way before the end of 2022. In addition, Suncor is buying back up to 10% of its outstanding stock.

All of the things should support a higher share price, but Suncor stock only trades near \$43 at the time of writing. That's about where it was in early 2020 before the pandemic when WTI oil was US\$60 per barrel. Suncor traded as high as \$53 in June. It wouldn't be a surprise to see the stock retest that level before the end of the year.

Suncor stock looks [undervalued](#) today, and investors who buy now can pick up a solid 4.3% dividend yield. Even if the stock doesn't jump on the Q2 2022 results release, you still get paid well to wait for the next move higher.

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