Suncor (TSX:SU): Is it a Value Buy Opportunity Right Now?

Description

The **TSX** has yet to break out of the cycle of volatility it has been in this year. As of this writing, the **S&P/TSX Composite Index** is down by 11.9% from its 52-week high. After gaining by 4.7% between September 6 and September 12, 2022, the Canadian benchmark index is showing signs of weakness again.

The next few months will likely continue to be volatile for the broader stock market. While the uncertainty has devastated returns for many investors, value-seeking Canadians have the opportunity to find high-quality and undervalued stocks to add to their portfolios.

Stocks across all sectors of the Canadian economy have suffered downturns in recent weeks, including some of the top energy stocks. **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) is an energy stock that has fallen out of favor with many investors amid the volatility.

SU has declined by 23.1% from its 52-week high. Let's take a closer look to see whether the battered energy stock could be a strong value bet for your investment portfolio.

It is down, but is it out?

Suncor Energy stock is the leading integrated oil and gas company in Canada. Headquartered in Calgary, the energy company boasts a $57 billion market capitalization. It was once widely regarded as a favorite among Canadian investors for the profits it delivered.

Suncor Energy stock was a Canadian Dividend Aristocrat until the company's management decided to slash its dividend payouts by more than half in anticipation of the pandemic's financial impact.

While it was a sound management decision, some investors started to lose faith in the company. Today, the company is facing issues beyond the broader energy price volatility. Safety issues have been a pressing concern of late.

Regardless of how profitable a company is, it has to have safe operations. Unfortunately, Suncor's record for workplace safety is in tatters. Since 2014, Suncor has had 12 workplace fatalities. Activist investor Elliot Investment Management has stated that the company's track record is worse than its peers combined.

These fatalities came to light after a recent incident at one of its mines prompted investors to dig deeper and find more incidents.

The last five years have seen its operating cash flows grow by 30%, and it has grown its shareholder dividends by almost 50% in that period. Despite improved financial performance, it is down by 2% in the last five years.

Foolish takeaway

Improved financial performance cannot compensate for safety issues because the impacts go beyond profits, shareholder value, and other numbers. Fortunately for its investors, the company has decided to undergo a major overhaul in its management. Its CEO recently resigned, and several board members have been replaced.

The company's new management has made promises to make things better. The Canadian oil and gas major has set out to improve its safety record. Provided it can follow through on its promise, and its fundamentals remain positive, Suncor could be an excellent value bet.

At its current levels, Suncor stock trades at a price-to-book multiple of just 1.5, alongside an impressive 24.7% return on equity. These metrics show that it is an undervalued stock. SU stock could be a good addition to your self-directed portfolio if you are bullish on the company's ability to address its safety issues.

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adamothman