



## Why This Energy Giant Looks Like a Major Bargain

### Description

Most energy companies are performing brilliantly in the current market environment. These commodity producers are generating record free cash flow and earnings [growth](#), in most cases. Additionally, the shareholders of these companies have benefitted from share repurchases and special dividends.

Among all the energy stock options currently available in the market, **Suncor** ([TSX:SU](#)) looks like a major bargain. Here are the reasons why.

### Suncor is streamlining its energy exposure

According to recent reports, Suncor has announced the sale of its solar and wind assets to **Canadian Utilities** for \$730 million. Notably, this sale includes the key 202-megawatt Forty Mile wind project located in Alberta, which is supposed to be operational within the current year.

Apart from this project, Suncor is also selling off stakes in the Adelaide, Chin Chute, and Magrath wind facilities in the province of Ontario. By taking this major step, Suncor is streamlining its energy portfolio and simplifying its focus.

This deal's closing is expected to happen in the first quarter (Q1) of 2023. Moreover, this transaction is subject to customary closing conditions, along with third-party regulatory reviews.

Suncor's chief executive officer and interim president Kris Smith, declared in a statement that the company's decision to divest their solar and wind assets would enable it to streamline its portfolio and also focus solely on their core business.

Mr. Smith also said Suncor would continue its advancement in its ESG (environmental, social, and governance) efforts by installing lower-emission cogeneration units at base plant, which will replace the current coke-fired boilers.

## Suncor surpasses estimates again in the second quarter

In Q2 2022, Suncor recorded a strong growth compared to the second quarter of 2021. Its adjusted funds from operations rose to \$5.345 billion from last year's \$2.362 billion. Also, the company's cash flow from operating activities rose to \$4.235 billion (i.e., \$3.01 per common share) from \$2.086 billion (i.e., \$1.39 per common share) a year earlier.

In addition, Suncor reported earnings per share of \$2.12, beating Zack's Consensus Estimate of \$1.74/share. Thus, Suncor exceeded the market estimate by 21.84%.

## Shareholders continue to get solid returns from Suncor

Suncor continues to benefit its shareholders with growing returns. The company returned almost \$3.2 billion in capital to shareholders, including share repurchases and dividend payments. Experts also reported that in Q2 2022, the rate of share repurchases as well as dividends per common share, were the highest to date in this company's history.

Currently, Suncor is trading at around the \$43 level. At this level, I think the strong fundamentals of this enterprise will ensure solid returns in the long term. These are the factors that make Suncor a major bargain, as compared to other energy companies out there.

### CATEGORY

1. Energy Stocks
2. Investing

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