



5 Things to Know About Suncor Stock

Description

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) is one of Canada's biggest and most influential energy stocks. Canada's largest integrated energy company has paved the way in oil sands. Yet, in the last few years, Suncor stock has gone from being an "investor darling" to somewhat of a pariah.

Before you buy into the negative views of Suncor stock, here are five things you need to know.

Benefits of being an integrated energy company

As a touched upon previously, Suncor is an integrated energy company. This means that it operates in two different segments. The upstream segment is the business that explores for and produces oil and gas. This segment benefits directly from rising oil and gas prices.

The downstream segment, or the refining and marketing business, has slightly different economics. This segment's fortunes are a function of the crack spread – the difference between the cost of a barrel of crude oil and final petroleum products like gasoline or fuel oil. This margin depends on factors that are slightly different from its upstream business. Therefore, it provides Suncor with a diverse source of revenue, thus evening out its revenue profile through commodity cycles.

Suncor stock ([TSX:SU](#)) is down but not out

While Suncor's stock price on the TSX is down from its highs this year, it's up more than 55% year to date. Also, it has consistently paid a dividend and now yields a very generous 4.28%. This is a reflection of the solid results that Suncor has been posting. For example, in the last five years, revenue has increased 22.5% to \$39 billion and cash flow from operations 31% to \$11.8 billion.

Suncor entered the renewables space 20 years ago

While Suncor has been talking more recently about its [investment in renewables](#), the fact is that it

actually entered this space more than 20 years ago. For example, in 2000, Suncor unveiled plans to invest \$100 million in alternative and renewable energy by 2005. And in 2001, Suncor partnered with **Enbridge Inc.** to open Saskatchewan's first major power supplier of renewable energy, SunBridge Wind Power Project.

Today, Suncor has shifted its focus to hydrogen and renewable fuels, but the commitment remains.

Suncor reports Q3 results on November 2 – and they will be strong

The consensus analyst EPS estimate for the third quarter is \$1.83. This represents a 161% increase versus last year. In Q2 2022, Suncor achieved its highest ever cash flow from operations and raised its dividend by 12%. Inflation might have put a damper on the third quarter, but results should be strong nonetheless.

Suncor stock: Cheap with a generous and reliable dividend yield

Valid concerns over the safety of Suncor's operations have played a part in the stock's decline this year. Suncor's stock price is trading at a mere 6.7 times earnings and 3.8 times cash flow – [very undervalued in my opinion](#). Add its dividend yield of 4.28% to this equation, and we have a very interesting investment case.

Motley Fool: The bottom line

In closing, these five key points about Suncor are important to consider when analyzing the stock. Suncor remains an energy giant that is misunderstood today. This has given us an opportunity to buy it at attractive prices. Suncor stock's valuation is what attracted me. But its track record and financial results convinced me that it's a good long-term buy.

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Author

karenjennifer

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