



## 3 Reasons to Buy Suncor Energy Inc.

### Description

The recent market turmoil has battered equities, and no other sector has been hit harder than the Canadian oil patch. Shares of **Suncor Energy Inc.** ([TSX: SU](#))([NYSE: SU](#)), the nation's largest energy producer, have plunged 15% over the past three months.

Is it time to sell? Nope. If you believe in buying good companies when the market throws a sale, then Calgary-based Suncor may be worth a look. Here are three reasons to buy the dip and add this stock to your portfolio.

#### 1. This stock is gushing dividends

Chief Executive Steve Williams is leading a quiet revolution at Suncor. Since taking the helm in 2011, he has abandoned bold, new expansion projects in favour of boring debottlenecking initiatives — industry slang for wringing more barrels out of existing operations. While this policy is about as exciting as doing your taxes, it provides better returns with less risk.

This policy has also freed up an enormous amount of capital for investors. Since 2011, Suncor has more than doubled the size of its dividend and bought back 13% of its outstanding shares. You can count on another round of dividend hikes in 2015.

#### 2. Good outlook for the oil sands

Not only is Suncor pulling more barrels out of the ground, the company is also earning higher margins on each barrel it produces. Today, oil sands bitumen trades at a US\$18 per barrel discount to other North American energy blends. However, we're starting to see that discount narrow as clogs in the energy supply chain begin to clear.

Suncor is also doing a good job at controlling expenses further down the income statement. Analysts have feared that unrestrained expansion would drive up the cost of operating in the oil sands. However, the industry's policy of disciplined growth is paying off.

### 3. The smart money is moving in

It never hurts to peek over the shoulders of the world's greatest investors, and it doesn't get much better than Warren Buffett. In August, SEC filings revealed that the Oracle of Omaha increased the size of his stake in Suncor. As of June, Buffett owned 16.5 million shares valued at US\$702 million.

Other smart money managers are also moving into the stock. A number of billionaire investors — including D.E. Shaw, Ken Griffin, and Steven Cohen — initiated or increased the size of their stakes in Suncor last quarter. Billionaire investor Ray Dalio also ramped up his position, bringing his total stake in the company to US\$25 million.

#### The bottom line

Suncor offers a great combination of growth and yield. If you have been waiting for an opportunity to buy this stock, Mr. Market has just handed you a chance.

#### CATEGORY

1. Energy Stocks
2. Investing

#### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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