



4 Reasons To Buy Suncor Energy Inc. Today

Description

The long-term growth of **Suncor Energy Inc.** ([TSX: SU](#))([NYSE: SU](#)) has been nothing short of remarkable.

Imagine this scenario. 20 years ago, you're looking for an energy stock to invest in. You discover Suncor, which just a year earlier had officially been spun out completely from its U.S. parent **Sunoco**. Also in 1993, the Ontario government officially divested of its 25% interest in the company, which it held since 1981.

Back then, Suncor was a very different company than it is today. It was almost exclusively an oil sands producer. It had a smattering of retail outlets in Ontario, which were later rebranded as **Petro-Canada** locations when it was acquired in 2009. And, most importantly, the stock was extremely cheap, at least compared to today.

Just \$5,000 invested in Suncor 20 years ago would be worth more than \$151,000 today, assuming an investor reinvested dividends. While I can't promise the next 20 years will be as prosperous, I still think Suncor shares are a buy today. Here are 4 reasons why.

Energy is on sale

Once every few years, the price of oil craters for some reason, causing oil stocks to slide right along with it. Like clockwork, it always rebounds a couple of months later.

Will the great energy sell-off of 2014 be any different? I don't know for sure, but I'm pretty confident in saying that oil prices will rebound. It might not be right away, but I don't think we're in a new world of sub-\$80 oil.

Because of its size and perceived security, Suncor shares have held up pretty well. Other names in the sector have fallen anywhere from 30-50% from their peak. Suncor is still down, but only a little more than 10%.

Diversified operations

Although Suncor is primarily an oil sands producer, it still has diverse operations.

The company owns several refineries, located in Alberta, Ontario, Quebec, and Colorado. Combined, these facilities can process more than 450,000 barrels of oil per day. Additionally, the company's lubricants business is the biggest of its kind in Canada, with customers around the world.

Besides all that, Suncor is also the owner of more than 1,450 Petro-Canada gas stations, stretching from coast-to-coast. Not only do the service stations ensure a steady supply for its finished products, but they also help diversify the company away from energy production and more to the steady business of retail.

Energy East

Suncor will be one of the biggest winners of the planned Energy East pipeline.

The project, which looks to connect Alberta oil sands bitumen with refineries all the way through Quebec and New Brunswick, will be a welcome relief for oil sands producers who are tired of the excess cost associated with shipping crude via rail.

Specifically for Suncor, it helps out in a couple of ways. First, the project allows it to ship oil sands crude to its refineries in Ontario and Quebec, allowing it to fully take advantage of economies of scale. And secondly, it opens up one primary export market for oil sands crude — Europe. Depending on Russia's actions, this could end up being quite lucrative.

A quality dividend

As Suncor has matured into a legitimate energy giant, so has its dividend policy.

Since the end of 2010, the company has been aggressively raising its dividend. The payout has increased from \$0.10 per share each quarter to \$0.28 per share today. That's good enough for a 2.8% yield.

Plus, the company has been steadily buying back stock. At the end of 2011, 1.56 billion shares were outstanding. In less than 3 years, Suncor has repurchased approximately 90 million of them, which is approximately 6% of the total. Look for these buybacks to continue once energy prices stabilize.

Suncor is a terrific business. Its oil sands assets still have a huge reserve life. It continues to increase production. And even if energy prices stay low, there's value in owning such a diversified operator.

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