



## Investors: Suncor Energy Inc. Is the Oil Company to Buy

### Description

Companies in the energy industry haven't exactly fared very well recently. Oil prices have dropped by over 50% in the past year, and companies have been forced to tighten belts, slash or eliminate dividends, and downsize or shelve high-cost projects.

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is one of only a few companies in the industry that could not only weather any temporary drop in prices, but could actually remain profitable.

Let's take a look at how Suncor is doing, and what the company is doing to offset low oil prices.

### How is Suncor doing?

Suncor currently trades at just over \$34, closer to the 52-week low of \$30.89 than the high of \$42.47. Year-to-date, the company is only down 6%, which is much better than most of the other oil companies that are down up to 35% for the year.

While many companies have slashed or eliminated dividends, Suncor increased quarterly dividends by a cent to \$0.29 per share. Further, the company stated its intention to buy back \$500 million shares.

Suncor recently announced the intent to purchase an additional 10% interest in the Fort Hills oil sands project, for approximately \$310 million. This brings the company's investment in Fort Hills to over \$1 billion, and Suncor's share in the project to 50.8%. The deal is expected to be completed by the end of the year.

The company still has over \$4 billion in the bank, which it may use to acquire smaller competitors that are distressed because of the current environment.

### Suncor and Line 9

One of the well-known projects that **Enbridge Inc.** is working on is known as the Line 9 pipeline. This pipeline is intended to operate between Ontario and Quebec, and was scheduled to be online back in late 2014.

The project has been met with significant delays from the National Energy Board, who have required that Enbridge outfit the pipeline with additional shut-off valves and undergo additional safety tests prior to getting the green light to begin operations.

For Suncor, the pipeline represents a way to ship oil-sands crude to the refinery in Montreal directly. The pipeline is slated to be online within the next six months. Once the pipeline is operational, Suncor will not only be able to fully utilize the refinery, but increase production even further.

### **Higher production leads to lower prices**

Just a few years ago, the cost of extracting oil from tar sands was over \$40 a barrel. Earlier this year, Suncor announced that it got costs down to \$28 per barrel. With each new production facility going online, that price will drop further.

Suncor has up to 10 new projects coming online that could boost production by 40,000 barrels per day each over the next few years, which could spell even greater savings and profits.

In my opinion, Suncor is one of the best options for an investor looking for an oil stock. The company has a solid balance sheet, low debt, remains profitable at low oil prices, has a clear expansion path, and continues to raise dividends.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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

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