



## 3 Companies That Suncor Energy Inc. Could Buy Next

### Description

On Monday morning, **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) made an unsolicited \$4.3 billion offer for the shares of **Canadian Oil Sands Ltd.** (TSX:COS). It provided some much-needed relief for COS's shareholders—the company's stock price started the day up 43%, and has increased further from there.

And Suncor is likely not done. The company's offer consists entirely of shares, which preserves its pristine balance sheet, and there are plenty of other cheap assets out there.

So, which company is next? We look at three possibilities below.

#### 1. Penn West

Now that Suncor has offered so much for COS, we know the energy giant isn't afraid of taking on some debt. After all, COS has \$2.3 billion of debt on its balance sheet, which Suncor will assume if the takeover is successful.

Thus Suncor could also conceivably take over **Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE). Like COS, Penn West has an awful balance sheet, with nearly \$2 billion in debt. But the company has a very cheap share price after losing more than 80% of its value over the past 12 months (despite a surge on Monday).

As it stands, Penn West simply does not have enough capital to take full advantage of its assets, which, without a doubt, is holding down the company's share price. Of course, if Suncor stepped in, that problem would disappear. Thus the energy giant should be able to earn a fantastic return if it snapped up Penn West.

#### 2. Cenovus

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) has a lot of attributes that would appeal to Suncor. It has a fairly depressed share price. It has wonderful assets. It has an integrated model, just like Suncor. And it has expertise in steam assisted gravity drainage (SAGD) technology.

The major sticking point with Cenovus is its size. At current market prices, the company is worth just over \$17 billion. In addition to that, Cenovus has \$4.3 billion of net debt on its balance sheet.

Thus an acquisition of Cenovus would be especially risky, and it would probably force Suncor to take a break from further purchases. So, I would view this merger as being very unlikely.

### 3. MEG

Like Cenovus, **MEG Energy Corp.** ([TSX:MEG](#)) has wonderful assets and lots of SAGD expertise. MEG also has very ambitious growth plans, although they've been cut back in the recent oil price environment.

Thus if Suncor were to take over, MEG's assets could once again be fully exploited. And MEG is much smaller than Cenovus, worth only about \$2.2 billion. So, Suncor wouldn't be taking too much risk by buying MEG, while still getting plenty of reward.

### CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:SU (Suncor Energy Inc.)

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