



## Buy Suncor Energy Inc. for Safe Exposure to the Oil Business

### Description

The unfortunate reality for investors who bought into oil companies at the peak of the commodity's price is that oil prices are going to remain weak for longer than expected. We'll see ebbs and flows, but numerous analysts seem to agree that the price will remain depressed for quite some time.

For small oil companies, this is disastrous. However, for companies like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), the oil prices are, at worst, an annoyance, and at best, a serious opportunity.

The reality is, so long as we need oil for everyday life, highly efficient companies like Suncor will be able to keep their operations running. The CEO never expected \$100+ a barrel oil to last, so he made moves to ensure that even when the price dropped, the company could remain profitable.

There are a few other reasons why the company is a relatively safe bet for investors.

### Diversification

Suncor is known for its oil sands production, but it does more than just that. Outside of the oil-producing business, it has refineries as well as gas stations. Believe it or not, Suncor is one of the largest refiners in North America; it has the ability to process 500,000 barrels of oil every day. It also has a network of 1,500 gas stations through its Petro Canada division.

What all of this means is that the company is able to generate revenue from the oil it produces, the oil it refines, and the gasoline it sells. Being able to generate profit from each step along the way is an effective way to stay competitive.

### Acquisitions

Being a big company has its advantages beyond just being diversified. Suncor has been eyeing the field, trying to find assets that are worth picking up. So far, it has made an offer to buy **Canadian Oil Sands Ltd.** in an all-stock deal. Canadian Oil Sands investors will receive 0.25 shares of Suncor for every one share of Canadian Oil Sands.

The company is also growing stakes in other projects, such as the Fort Hills oil sands project. Its recent deal to pay **Total** \$310 million for 10% now gives Suncor controlling ownership of the region. When it starts production, Suncor will generate even more revenue.

## Dividends

All of this leads to its ability to reward investors. Suncor has increased its dividend every year for 13 years. And despite low oil prices, it intends to increase the dividend again in 2016. The only way a company can do that is if it is diversified and well run.

Further, the company continues to buy back shares of its stock. Over the next few months the company will spend an additional \$250 million on shares, reducing the total outstanding shares. Each buyback makes one share worth more.

Investors can expect a 3% yield based on current prices, which gives them \$0.29 a share per quarter. It may not be as high as some of the other companies out there, but that's okay. You don't want high; you want secure.

## CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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

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## Date

2025/09/18

## Date Created

2015/11/19

## Author

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