



## Did Suncor Energy Inc. Get the Deal it Wanted?

### Description

**Canadian Oil Sands Ltd.** (TSX:COS) has finally accepted an offer by **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), effectively ending the back and forth between the two companies that started in the fall of last year.

For Suncor, this effectively means Syncrude will be operated under its control, spelling efficiency improvements that can be gained from both companies.

Canadian Oil Sands shareholders finally got what they wanted from Suncor: a better price.

### The accepted offer

Only a few weeks ago, Suncor was adamant in telling Canadian Oils Sands that an improved offer would not be coming. That original offer was that Suncor would give a quarter of a share for each Canadian Oil Sands share.

The improved offer boosted the share value of each Canadian Oil Sands share slightly to 0.28, meaning the total value would be bumped up to \$4.24 billion.

This was a welcome relief for Canadian Oil Sands investors, who likely were still thinking about Suncor CEO Steve Williams's statement, which implied that failing to accept the offer could result in Canadian Oil Sands shares dropping 40% of their value.

The impetus to get a deal done was likely when oil finally dropped south of US\$30 per barrel as Canadian Oil Sands had long taken the position that oil would rebound, and the company would be valued much higher as a result.

When the deal expired on January 8, the two sides resumed negotiations and gears shifted from hostile to friendly. Both companies announced that the agreement had the support of both boards.

### What does the combined company bring to the table?

There's no doubt that Suncor's intent was to both increased efficiencies and control the Syncrude venture. Canadian Oil Sands was the largest partner in the Syncrude venture, and once that control is added to Suncor's existing interest in the venture, Suncor should now have a 49% stake in the operation.

Beyond Syncrude, it's all about the economies of scale. Suncor has already done a fair job making their own operations more efficient than the competition, so an extension of those efficiencies seems only natural.

Those efficiencies will be a welcome sigh of relief for the industry, which has been decimated by the incredible drop in crude over the past two years. With a massive glut of supply and low prices, many oil companies are left with no strategy other than to become lean, to cut costs and hope that oil prices start to rise again, or wait to be acquired.

Suncor had a unique opportunity with Canadian Oil Sands to capitalize on its own efficiencies and strong financial position to get the deal done. The only question that remains is whether or not Suncor will make more acquisitions now that the market is so low.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

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

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