



## Is Now the Time to Go All-In on Suncor Energy Inc.?

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) has been on a buying spree.

In February, Suncor announced that it would acquire Canadian Oil Sands Ltd. for \$6.9 billion, including the assumption of \$2.6 billion in debt. The buyout upped Suncor's stake in the Syncrude oil sands project to 48.7%. Then in April, Suncor made another announcement that it would buy **Murphy Oil Corporation's** 5% Syncrude stake for \$937 million. Suncor now holds a majority 53.7% position in the project.

These two acquisitions alone boosted Suncor's output by about 146,000 barrels a day.

Syncrude isn't the only project that Suncor has been consolidating. Fort Hills is another oil sands play, and following its buyout of **Total SA's** 10% stake for \$310 million, Suncor now has a majority 51% interest. Eventually, Fort Hills will produce 180,000 barrels a day in total. Suncor also owns a 21% stake in a development off Canada's east coast, which will produce about 150,000 barrels a day.

Over the past year, Suncor has invested more than \$8 billion into the Canadian oil sands region. It now controls roughly 30% of all Canadian oil sands production.

### Plenty of room for more attractive acquisitions

While oil markets have rebalanced a bit, it's still very much a buyers' market. Smaller indebted operators have often been forced into bankruptcy and their assets have been sold at fire-sale prices. Even larger integrated producers have been looking to sell major assets to streamline their businesses and reduce debt.

The North Sea, for example, has seen a flurry of selling pressures. According to *Reuters*, "**Royal Dutch Shell, BP, Total** and others have put dozens of assets up for sale in the North Sea, which has been on the wane since the late 1990s. With many companies keen to sell assets in the region, Suncor could find compelling deals, sources said, adding it could buy in both the U.K. North Sea and Norwegian North Sea."

Last month, Suncor proved this speculation correct, agreeing to acquire a 30% interest in the U.K. North Sea Rosebank project from OMV AG. Rosebank is considered one of the best and largest remaining undeveloped resources in the U.K. North Sea. **Chevron Corporation** maintains the project and holds a 40% stake.

This acquisition spree, along with a return to full production at Suncor's Syncrude, Base Mine, and MacKay River projects, will allow free cash flow to grow at an attractive clip if oil maintains its current strength.

### Should you buy?

If you're an oil bull, there are few other companies with more leverage to rising prices than Suncor. Its current strategy has major risks, however. The Fort Hills project, for example, has an estimated \$13.5 billion cost and a US\$90 a barrel breakeven level. If crude prices don't return to triple digits in the next few years, the company could be in trouble. But if oil continues its latest rise, shareholders will consider it a worthy long-term bet.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

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