



## Should You Buy Suncor Energy Inc. Today?

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) has weathered the oil storm relatively well.

Let's take a look at Canada's largest integrated energy company to see if it deserves to be in your portfolio.

### Diversified revenue

Suncor is best known for its massive oil sands operations, but the company also has significant refining and retail assets that help balance out the revenue stream.

The oil sands operations had a tough second quarter as wildfires and low prices hit production levels and revenue. Oil sands output dropped to 177,500 barrels of oil equivalent per day (boe/d) compared to 423,800 boe/d in Q2 2015. As a result, cash operating costs came in at \$46.80 per barrel (bbl) as opposed to \$28.00/bbl in the same period last year. This contributed to Suncor's overall operating loss of \$565 million, or \$0.36 per share.

On the surface the numbers are a bit scary, but the shutdown due to the fires was a one-time event, and investors should look beyond the tough quarter when evaluating the stock.

Why?

By mid-July oil sands production levels were back at normal rates, and management says the second-quarter blip won't change the company's 2016 cash operating cost guidance of \$27-30 per barrel.

The company's other business lines performed well in Q2 and helped mitigate a weak quarter in the upstream operations.

Refining activities generated operating earnings of \$581 million in Q2 2016 compared to \$560 million in the same period last year. The marketing group contributed \$108 million compared to \$85 million in Q2 2015.

## Growth initiatives

Suncor is taking advantage of its strong balance sheet to add strategic assets while the sector is under pressure. The company has raised its ownership of Syncrude to nearly 54% through the successful buyout of Canadian Oil Sands and the purchase of a 5% stake from **Murphy Oil**.

Suncor also recently announced a deal to acquire a 30% position in the North Sea Rosebank project.

Organic growth continues with the Fort Hills oil sands development and the Hebron offshore project. Both facilities are expected to begin production in 2017.

## Dividends

Suncor has raised its dividend five times in the past five years. The current quarterly payout of \$0.29 per share should be safe and offers a yield of 3.2%.

## Should you buy?

Suncor's balanced revenue stream and safe dividend make it a strong pick in the energy space. If you are a long-term oil bull, but want an energy stock that can ride out additional near-term turbulence, Suncor should be at the top of your list.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

## Category

1. Energy Stocks
2. Investing

## Date

2025/09/17

## Date Created

2016/10/03

## Author

aswalker

default watermark