Suncor Energy Inc.: Get Ready for Another Major Transaction

Description

According to **Reuters**, **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) is considering the sale of its Petro-Canada retail gasoline station business. The current selling price estimate is a whopping $8.4 billion.

Petro-Canada operates roughly 1,500 gas stations across Canada, making it one of the biggest players in the country.

If this deal goes through, it would mark yet another major transformative deal for Suncor.

How likely is this latest deal?

It's tough to say.

Suncor spokeswoman Sneh Seetal denied that the company is currently shopping the fueling station business segment. "Retail is part of our integrated model as it provides a channel of sale for much of our refinery production," she said.

Still, that's exactly what a company would say if it's looking to get the highest bid possible.

Looking at Suncor's recent divestiture history, it's tough to argue against any business transaction; Suncor has been that active.

For example, already this year, Suncor announced that it would acquire Canadian Oil Sands Ltd. for $6.9 billion as well as **Murphy Oil Corporation's** 5% Syncrude stake for $937 million. Suncor now holds a majority 53.7% position in that project–the biggest oil sands operation in the world. In all, these two acquisitions alone should boost Suncor's output by about 146,000 barrels a day.

On June 23, the company raised a hefty $2.9 billion. It's likely that this fresh financing will be put towards additional acquisitions, not to paying down debt. Selling its fueling station segment would free up billions more.

Where will this money go?

Oil markets have stabilized, but it’s still very much a buyers’ market.

Smaller indebted operators have often been forced into bankruptcy with their assets sold at fire-sale prices. Even larger integrated producers have been looking to sell major assets to streamline their businesses and reduce debt.

For example, the North Sea is seeing 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.”

At present, Suncor estimates that it needs about $40 oil to cover both its operating expenses and dividend. By making prudent and cost-effective acquisitions, Suncor can lower this breakeven figure even more.

The company wants the market to believe it won’t be selling any of its current segments. However, if a big enough acquisition target arrives at the right price, Suncor’s management team has proven very willing to free up capital and pull the trigger.

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