



Suncor Energy Inc. Is a Smart Buy Heading into 2017

Description

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) has plenty going for it, and there is reason to be optimistic as 2016 draws to a close and we enter 2017.

The oil sands and energy company boosted investor sentiment on November 30, as Suncor announced a quarterly dividend offering of 29 cents that will be issued on December 23, 2016. It is hard to determine how exactly this will play out for the company, but judging on previous dividends from Suncor, the current annual yield estimate sits at 2.77%. The stock is currently trading at \$42.79 as of Wednesday, rising 6.8% on the day.

In mid-November, Suncor revealed plans to cut back on its spending by \$1 billion as it looks to reduce its costs. The company stated that its budget will be in the range of \$4.8-5.2 billion in 2017 compared to its 2016 spending. The energy company has two main projects in its sights, including its new oil sands mine Fort Hills, which is located in the Athabasca region of Alberta. The other project is Hebron, which is a mine located offshore in Newfoundland.

The two projects will amount to roughly 40% of its budget, while the rest of its spending will maintain and enhance its current assets. Safety is of paramount importance in the industry, so Suncor will make certain that the working conditions in these areas is top-notch while ensuring their profitability. An average of 700,000 barrels of oil per day will be produced next year—higher than the 617,500 from this year.

Additionally, the company will pay less per barrel when producing oil sands to about \$25.5 per barrel. Similar reductions in costs will take place in some of the company's other assets. Analysts at BMO Capital Markets are backing the company's 2017 to be successful as operating costs are well below what firms are predicting. If all goes without a hitch, it could be a great year to jump on the Suncor bandwagon.

In addition to the company's plans, a mid-summer report from the Canadian Association of Petroleum Producers (CAPP) predicts increased production through 2030. Due to the ever-present demand of transportation, plastic, and other products, CAPP expects western Canadian crude oil to grow by over

1.1 million barrels per day. The oil sands producers are expected to benefit the most from this growth as it is slated to increase by one-third over the next 15 years. On the other hand, conventional methods of production are slated to fall drastically.

The company's next earnings announcement will take place on February 1, which is at a consensus estimate of 19 cents per share, topping the year-ago quarter's total of 17 cents per share. Wall Street expects EPS growth of 18.75%. Out of 11 analysts covering the stock, nine have rated it a "Buy," while two rate it a "Hold." It's also worth noting that Suncor isn't putting all of its eggs in one basket; the company is ramping up efforts to produce clean and renewable energy, including six solar wind projects and solar energy opportunities.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/09/17

Date Created

2016/12/02

Author

karlutmohlen

default watermark

default watermark