Suncor Energy Inc.: Is the Best on the Horizon?

Description

With the price of oil over US$50 a barrel, there is beginning to be renewed interest in energy stocks. A lot has changed since the beginning of 2016 when Brent crude was trading at US$27.88 a barrel. But there was one company taking advantage of cheap oil to make itself more powerful, putting it in a far better position now than it was the last time oil was over US$50, and that's **Suncor Energy Inc.** (TSX:SU)(NYSE:SU).

As 2015 was wrapping up, Suncor was working to acquire Canadian Oil Sands with a hostile takeover back in October 2015. It wouldn't be completed until March 2016, but this deal, which cost the company $6.9 billion (including the assumption of debt) expanded Suncor's exposure to the Syncrude project from 12% to 49%.

Then in June, Suncor closed the $937 million acquisition of the Syncrude project owned by the Canadian subsidiary of **Murphy Oil Corporation**. This increased Suncor's position to 54%. This is expected to result in a 146,000 daily barrel increase for Suncor.

While Suncor has been focusing on increasing its production capabilities, it also shed some assets to bolster the balance sheet. In October, the company announced that it had sold its Petro-Canada Lubricants business for $1.125 billion.

Steve Williams, president and CEO of Suncor, said, "Today's announcement is another example of how Suncor is focusing on its core assets through strategic acquisitions and divestitures that reinforce our commitment to long-term profitable growth."

That means two things. First, the company will get rid of assets that are not part of its core holdings. Second, the company continues to look for strategic acquisitions and will use this money to help fund those types of takeovers. As someone considering investing in this company, this should be exciting.

So what does 2017 look like for Suncor?

Thanks to these acquisitions and smart capital investments, Suncor expects to deliver an average daily production of 680,000-720,000 barrels of oil per day. That's quite a bit higher than the 610,000-

625,000 barrels a day the company guided for 2016.

The company plans to spend anywhere between $4.8 billion and $5.2 billion in capex next year. This is down from $5.8-6 billion it spent this year. So management is looking to spend a billion dollars less next year, all while it expects to increase its production by up to 100,000 barrels a day. That's less costs and more oil, which is a great formula for profit.

Does that mean you should buy Suncor? That depends on where oil prices are headed in 2017. While the company is in a great place, and it is bound to generate lucrative profits, Suncor is a big company, and it takes a lot for the stock price to appreciate. And while the 2.61% yield is consistent and predictable, we want to see the stock price also increase.

Fortunately, with Saudi Arabia and Russia both committing to a cut in production to ensure that oil prices don't fall in price again, Suncor might be in a great position to see growth in profits. And if production doesn't get cut and oil prices drop, Suncor is still in a good position as it is incredibly diversified.

If you want exposure to oil, Suncor is the way to go.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/08/19
Date Created
2016/12/28
Author
jaycodon