



## Is Suncor Energy Inc. a Good Investment?

### Description

Investments in the oil and gas industry are often perceived as risky investments. Between the greatly fluctuating price of oil, the volatile loonie, and an unpredictable administration in Washington, there's more than a fair number of variables that could turn even the best of investments into a risky one.

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is one of the largest companies in the oil and gas sector and has, for the most part, fared better than its peers over the past few years of weak oil prices.

While being better than the rest doesn't make Suncor a great investment option alone, there is a multitude of reasons to consider investing in Suncor if you haven't already.

### Quarterly results are in: efficiency reigns supreme

One of the reasons that Suncor managed to weather the prolonged weakness in oil prices is because Suncor was, and continues to be, one of the most efficient and productive operators in the sector.

That emphasis on increased production and efficiency was echoed by CEO Steve Williams, who noted that cost-reduction efforts contributed to savings targets set last year. Suncor's oil sands operations are priced below \$25 per barrel. Last year that price was \$28.

And speaking of production, Suncor produced 738,500 equivalent barrels of oil per day in the most recent quarter, setting a record and bettering the 582,900 barrels per day set in the same quarter last year. Much of that increase can be attributed to Suncor's increased stake in the Syncrude oil sands venture and record results from Syncrude.

From an earnings perspective, Suncor reported operating earnings of \$636 million, or \$0.38 per common share. Net earnings for the quarter topped \$531 million, or \$0.32 per share. Much of that can be attributed to both higher production and more favourable oil prices in the quarter.

The latest earnings results are completely different over the \$2 billion, or \$1.38-per-share, loss that was recorded in the same quarter last year.

Funds from operations, which was referred to as cash flow from operations in previous reports, came in at \$2.365 billion, or \$1.42 per common share, in the most recent quarter — a significant increase over the \$1.294 billion, or \$0.90 per share, reported in the same quarter last year. Efficiencies were once again highlighted as the primary source of the improved results.

Suncor also hiked the dividend by 10%, which now stands at \$0.32 per common share, resulting in a yield of 3.01%.

### **New projects coming online; even better results to follow?**

Suncor has several projects in development that will serve to boost production capacity over the course of the next few years. Chief among those are the Fort Hills and Hebron projects.

The Fort Hills project is now over 76% complete; it was delayed due to the forest fires in the region earlier in the year. The project is set to begin production in late 2017, after which the project should provide upwards of 194,000 barrels per day. Like the Fort Hills project, Hebron has a production date in late 2017 with construction continuing at the deep-water site.

Overall, Suncor is looking at a boost to production by 13%, and the cost-savings that Suncor realized last year look set to continue into this year with \$1 billion of additional savings being targeted.

### **Is Suncor a good investment?**

Over the past year, Suncor made investment news as renowned investor Warren Buffett reduced and then sold off his holdings in Suncor altogether. But that's not to say that the opportunity to invest in Suncor has passed.

In my opinion, Suncor remains a great investment opportunity for those investors looking to diversify their portfolios with an oil and gas holding.

### **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. Newscred
3. Yahoo CA

### **Category**

1. Energy Stocks

## 2. Investing

**Date**

2025/07/29

**Date Created**

2017/02/17

**Author**

dafxentiou

default watermark

default watermark