



## It's a Great Time to Get into Suncor Energy Inc.

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is one of the best-run oil companies in Canada, and the stock is looking like a great buy on the pullback. If you're looking for a safe way to play the rebound in oil prices, then Suncor is definitely a smart choice. The company has a healthy balance sheet and the ability to pay its generous dividend, even if oil prices tanked to the levels seen earlier last year.

Is the company immune to another oil crash?

No, it isn't. Suncor posted losses in Q4 2015 just like its peers in the oil patch did, but the only difference is, Suncor was much better prepared for the oil rout. A lot of Suncor's peers were on their knees in the early part of last year, and many oil stocks slashed their dividends. Some of the inefficient oil producers got hit extremely hard during this rout, and investors of these financially stressed oil stocks feared that bankruptcy was imminent.

While other oil firms were struggling to find ways to cut costs, the terrific management team at Suncor made some acquisitions at huge discounts. Suncor continued with business as usual by investing in initiatives to drive operational efficiencies, which will deliver long-term value for shareholders. These operational efficiencies will send the company's free cash flow skyrocketing once oil prices start moving higher and will allow the company to make strategic acquisitions of its stressed peers during downturns.

With oil moving to the high \$50 levels, I think Suncor is a screaming buy right now. The Fort Hills project is nearly 80% finished and is expected to increase production by 194,000 barrels of oil per day. The project is expected to finish in the latter part of this year, and when it does, it's possible that oil could be at \$60 levels.

The company is expected to see between \$4.8 billion and \$5.2 billion worth of capital expenditures this year, which will generate between 680,000 and 720,000 barrels of oil per day. On the high end, that's almost 100,000 barrels per day more than last year's guidance.

The stock has a dividend yield of 3.1%, which is much higher than the company's five-year historical average yield of 2.4%. Generous annual dividend raises can be expected from Suncor, and once oil

prices start moving higher, the magnitude of these raises will be much greater.

If you're looking for some exposure to the oil patch to go with a fat dividend yield, then Suncor is your best bet. Buy it now and collect that safe and growing dividend.

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