



## Suncor Energy Inc.: A Top RRSP Pick Today?

### Description

Canadian investors are searching for quality stocks to put inside their RRSP portfolios.

Let's take a look at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) to see if it deserves to be on your buy list.

### Diversified assets

Suncor is Canada's largest integrated energy company with oil sands, refining, and retails businesses.

The balanced mix is a big reason the stock has held up so well throughout the oil rout, while many of the pure-play producers continue to trade near multi-year lows.

Suncor is primarily known for its oil sands operations, and the company has taken advantage of the tough times over years to add to those assets.

Deals in 2016 secured a majority interest in Syncrude, including the acquisition of Canadian Oil Sands and the purchase of a stake previously owned by **Murphy Oil**.

Suncor also bumped up its ownership position above 50% in the Fort Hills Oil Sands development in 2015 when it bought part of **Total SA's** position in the project. Fort Hills is expected to transition from development to production by the end of 2017.

Fort Hills and Syncrude are part of Suncor's plan to grow production by about 10% per year through 2019.

The company also has four refineries and more than 1,500 Petro-Canada retail locations that provide a nice hedge against tough times in the upstream operations.

### Dividend growth

Suncor has raised its dividend for 15 straight years, which is impressive given the rough run oil producers have endured since 2014.

The company raised the payout by 10% in Q1 2017 and says it plans to hike the distribution in line with production growth moving forward.

Investors who buy the stock today can pick up a 3% yield.

### **Risks**

Another near-term meltdown in the price of oil will hit all of the Canadian producers, and while Suncor can ride it out, the stock would likely take a hit.

Longer-term, there are people who believe oil demand will drop significantly as cars, trucks, and other machinery will no longer run on gasoline or diesel fuel.

In the extreme scenario, Canada's oil sands could be abandoned.

### **Does Suncor belong in your RRSP?**

You have to be a long-term bull on oil to own any company that operates in the sector. If you happen to fall in that camp, Suncor is an attractive choice to stick in your RRSP for the next 20-30 years.

The company is a market leader, has a formidable balance sheet, and can ride out further weakness in oil prices due to its low-cost structure and diversified revenue stream.

In addition, the 3% yield should be safe with decent dividend growth on the horizon.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:SU (Suncor Energy Inc.)
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