



## Suncor Energy Inc.: Should This Dividend Stock Be in Your Portfolio?

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is one of Canada's top companies, but the state of the oil industry has investors wondering if the oil giant deserves to be a top holding.

Let's take a look at Canada's largest integrated energy company to see if it deserves to be on your buy list.

### Diversified revenue stream

Suncor is primarily known for its oil sands operations, but the company also owns four refineries and more than 1,500 retail locations operating under the Petro-Canada brand. The balanced nature of the business is a big reason the stock has held up so well during the oil rout.

Low oil prices put a pinch on margins on the upstream operations, but they can be a positive for the other business lines. For example, refineries take the oil sands crude oil and turn it into things like diesel, gasoline, jet fuel, and even asphalt.

Depending on the market price for those products, low oil prices can drive impressive margins, especially when the spread between WTI oil and Brent widens.

The service stations also do well when low oil prices translate into lower gasoline prices. People tend to take more trips when gas prices drop, and that means more visits to the Petro-Canada retail outlets.

### Efficient operations

Suncor continues to lower its oil sands cash operating costs, hitting \$22.55 per barrel in Q1 2017, representing a 7% improvement over the same period last year and a 20% improvement compared to Q1 2015.

Average refinery utilization improved to 93% from 91% in Q1 2016 with average throughput rising from 420,900 barrels per day (bbls/d) to 429,900 bbls/d.

## Growth

Suncor has taken advantage of the tough times in the oil sector to scoop up assets. The company won its hard-fought battle to buy Canadian Oil Sands, which gave it a majority stake in the Syncrude facility.

Suncor is also nearing completion of the Fort Hills oil sands facility. First production is scheduled for late 2017.

In addition, Suncor's Hebron offshore project is moving along as planned. The platform will be towed out to the production site during Q2 2017.

## Dividends

Suncor isn't a name that comes up very often when people talk about dividend picks, but the company has more than doubled the payout since early 2013, maintaining dividend growth right through the downturn.

The current quarterly distribution of \$0.32 per share provides a yield of 3%.

## Should you buy?

Oil prices continue to fluctuate as investors try to decide if OPEC's efforts to reduce production will be successful and drive prices higher in the medium term.

The long-term outlook must also be considered. If you think the world is going to wean itself off oil, it might be best to look for other opportunities.

However, if you believe oil demand will remain strong or grow in the coming years and decades, Suncor is one of the top names in the sector, and you collect a solid dividend while you wait for better days.

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**Date**

2025/08/23

**Date Created**

2017/05/26

**Author**

aswalker

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