



Is Suncor Energy Inc. Going to Break its 5-Year High?

Description

Unlike many of the oil companies on the market today, **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) has been one of the more stable opportunities. That's not to say it hasn't experienced some serious lows. But where other companies have gone bankrupt, Suncor has been able to grow consistently.

Over the past five years, the stock has hit lows of \$28, and it hit a five-year high of over \$46. Now Suncor is on the rise again, and if its momentum remains strong, it could blow past the \$46 high. Currently, it's trading right around \$42, so it only needs to go up by 5.5% to achieve that.

Is that going to happen?

It's always hard to say what's going to happen from a trading perspective, but I do believe that Suncor is the best bet for investors that are looking to gain exposure to the oil patch. And even at the current price, it's not unreasonable for investors to buy shares.

That logic is based on the company's ability to consistently grow when its competitors are suffering. There's no denying that oil prices have remained weak for years, but Suncor planned for low prices and became a shark when others were suffering — buying up major assets for very cheap.

It purchased Canadian Oil Sands for \$6.6 billion when considering the assumption of debt. It also paid a combined \$8 billion to boost its ownership of the Syncrude project from 12% to 54%. Finally, it boosted its ownership of the Fort Hills project to 50.8%, with oil expected anytime now.

All of these deals have had an immediate impact on the business. In 2015, it generated 582,900 barrels per day, which is significant. Fast forward to Q1 2016, and that had grown to 691,400 barrels. One year later, Suncor had boosted its oil production to 725,100 barrels per day. And when Fort Hills starts providing oil, Suncor will have even more production.

While Suncor was boosting production, it was also reducing its costs. In 2011, it had \$39.05 in operating costs per barrel of oil sands. In Q1 2017, the company had reduced that to \$22.55. This strong reduction in cost is important because oil prices continue to remain in flux, so the lower this is, the better Suncor can withstand price volatility.

Growth shouldn't stop either...

Over the next year, I expect that Suncor will buy out the 29.2% of the Fort Hills project that **Total SA** (NYSE:TOT) owns. In my opinion, Total does not want to be in the oil sands business anymore, so it is looking to negotiate with Suncor. It'll play hard ball, but it already sold Suncor 10% in 2015, so there's precedence for a sale.

Like I said above, Suncor owns 50.8% of the Fort Hills project, which will provide 98,500 barrels per day when it is fully in production. If Suncor buys Total out, Suncor would own 80%, which would provide 155,200 barrels per day. That's the kind of growth I want to see.

So, is Suncor going to break its five-year high and start marching toward \$50 per share? With the consistent growth Suncor has demonstrated and opportunities to add even more production, I see little reason why this low-cost producer won't continue to rise. But I am not a trader, and trying to time the market can be tricky. Sometimes waiting for a pullback can be a good strategy.

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Author

jaycodon

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