



## 3 Reasons to Consider Suncor Energy Inc. Right Now

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is a giant in the Canadian energy patch.

Let's take a look at some of the reasons investors might want to add the company to their portfolios.

### Integrated assets

Suncor is primarily known as an oil sands company, and the upstream businesses are certainly the core of the company's operations, but Suncor has a lot more going on under the hood.

For example, the company owns four large refineries as well as more than 1,500 Petro-Canada service stations. These divisions have provided nice revenue and a cash flow hedge through the oil downturn; they are a big reason the stock has held up so well.

In fact, Suncor currently trades at \$42 per share, which isn't too far off the highs the stock hit back when oil was US\$100 per barrel.

### Growth

Suncor has taken advantage of the downturn to add strategic assets at attractive prices, including the buyout of Canadian Oil Sands, which gave Suncor a majority interest in Syncrude.

As oil prices recover, Suncor stands to see strong returns on these investments.

In addition, the company has a strong portfolio of organic developments. Two of the projects, Fort Hills and Hebron, are expected to shift from development to production before the end of 2017.

This means investors could see a nice boost to free cash flow as production ramps up and the capital plan potentially shrinks over the next couple of years.

### Dividends

Rising cash flow and lower development expenditures normally bode well for dividend increases.

While the market remains under pressure, oil is slowly climbing higher, and some pundits see more gains on the way. One recent report suggests WTI oil could hit US\$80 per barrel in the next two years as the market rebalances.

Suncor isn't known as a dividend stock, but the company has raised the payout throughout the downturn and the current yield of 3% is certainly respectable. In the event oil gives back its recent gains, Suncor's strong balance sheet should ensure the distribution is safe.

## Risks

Owning Suncor isn't a risk-free bet.

The cancellation of the Energy East and Northern Gateway pipeline proposals means Canada's oil sands producers are looking at fewer options over the medium term to get their product to international markets.

In addition, some pundits say long-term plans by China and other countries to eliminate gas and diesel engines in automobiles could be the beginning of the end for the oil industry.

Time will tell how things pan out.

## Should you buy?

You have to be an oil bull to own any of the producers.

If you fall in that camp, but prefer to have a hedge against additional near-term downswings, Suncor's diversified business structure, stable dividend, and strong asset base make it an attractive pick in the sector.

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