



Dividend Investors: Should You Own Suncor Energy Inc. in Your TFSA?

Description

Canadian investors are searching for top stocks to add to their TFSA portfolios.

The strategy makes sense for those looking to build a retirement fund by reinvesting dividends in new shares, or for income investors, such as [retirees](#), who are hoping to get better yield out of their savings.

Let's take a look at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) to see why it might be an interesting pick today.

Integrated business lines

Suncor is mainly known as an oil sands producer, but the company also owns large refineries and more than 1,500 Petro-Canada retail outlets. These downstream assets can help offset margin pressure in the oil sands business when oil prices fall.

How?

Lower input costs for the refinery can result in better spreads on the finished products, especially when the price gap between WTI and Brent oil expands.

Gas stations can also benefit, as lower oil prices generally result in reduced gasoline prices, which can entice people to take more trips.

As a result, Suncor has endured the oil rout much better than most of its peers. In fact, the stock currently trades close to the price it fetched when WTI oil was US\$100 per barrel.

Efficient operations

Suncor continues to reduce costs at its oil sands operations. The company reported Q3 2017 cash operating costs just \$21.60 per barrel, which was the lowest cost base the company has delivered in more than a decade.

Growth

Suncor has taken advantage of the downturn to add strategic assets at attractive prices. The company's buyout of Canadian Oil Sands gave it a majority interest in Syncrude, and a deal to acquire an additional 10% of the Fort Hills development boosted the oil giant's stake above 50% in the project.

Fort Hills and another major development, Hebron, are scheduled to begin commercial production by the end of 2017. The timing of the shift from development to output could prove fortuitous, as oil prices appear to be in recovery mode.

Dividend

Suncor isn't often cited as a dividend play, but the company has a strong track record of raising the payout, which currently provides a yield of 2.8%.

With new production coming online and oil prices rising, investors should see steady dividend increases continue in the coming years.

Should you buy?

Suncor isn't a cheap stock, but you'll get a [top company](#) that can ride out dips in the oil market and deliver solid gains when crude prices are on the rise.

If you are positive on the long-term outlook for oil but don't want to own the riskier producers, Suncor deserves to be on your TFSA radar.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/08/20

Date Created

2017/11/14

Author

aswalker

default watermark

default watermark