



## A Top Oil Stock to Buy to Earn Growing Dividend Income

### Description

A dividend increase from oil companies isn't something we hear these days. After the 2014 oil market rout, many top producers slashed their payouts as they rushed to preserve cash.

But Canada's [Suncor Energy Inc. \(TSX:SU\)\(NYSE:SU\)](#) has been an exception. Despite facing one of the worst oil market downturns, Suncor continued to hike its dividend payout.

The latest jump in payout came on February 7, when the company announced its fourth-quarter earnings, which showed another very strong quarter. The company's net earnings rose to \$1.38 billion, or \$0.84 per share, in the three months ended December 31 from \$531 million, or \$0.32 per share.

Operating profit, which excludes one-time items, was \$1.31 billion, or \$0.79 per share, in the fourth quarter, up from \$636 million, or \$0.38 in the year-ago period.

"This was significantly higher than our capital and dividend commitments, allowing us to reduce long-term debt and return additional value to shareholders through more than \$800 million in share repurchases," Steve Williams, president and chief executive officer, said in a statement.

The Calgary-based company also said it had achieved first oil at its Fort Hills oil sands project in Alberta, and that the ramp up to nameplate capacity of 194,000 barrels per day (bpd) was on schedule.

Helped by the rising oil output at its fields, Suncor's board announced a 12.5% hike in the company's quarterly dividend to \$0.36 per common share.

### **Suncor: A great turnaround story**

Production growth and lower costs have enabled the company to continue growing its dividend, even while oil prices remain depressed. Since 2013, Suncor's dividend payout has grown ~72% a share. And Suncor hasn't miss a dividend increase in the past 15 years.

Suncor is a fantastic [turnaround story](#) in the Canadian oil patch, showing investors that it can survive and create value for its shareholders.

In the fourth quarter, Suncor's oil sands operating costs per barrel fell to \$24.20, representing the lowest level achieved during a fourth quarter in more than a decade. On the annual basis, that cost declined to \$23.80 in 2017. That was also the lowest in more than a decade.

Besides regular dividend hikes, Suncor also has a robust share-buyback plan, which will allow the company to repurchase further \$2 billion of its shares. Share buybacks are great for investors, as they boost share prices that are undervalued.

### Should you buy Suncor stock now?

Suncor stock is a safe bet in Canada's oil patch due to its diversified operations. With oil-exploration assets in Canada and abroad, Suncor also owns refineries and 1,500 Petro-Canada retail locations. This diversification helps Suncor to fare much better in oil price downturns.

With oil prices stabilizing in the \$60-65 range, and Suncor supporting its stock with a robust share-buyback plan, I strongly recommend to adding this name in your long-term income portfolio.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

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

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