



4 Reasons to Consider Suncor Energy Inc. for Your TFSA Today

Description

The Canadian oil sector is broadly out of favour these days, but there are a few names in the group that might be worthy of a position in your buy-and-hold [TFSA](#) portfolio.

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

Diversified business lines

Suncor is primarily known for its extensive oil sands operations, but the company also owns large refineries and more than 1,500 Petro-Canada service stations. The downstream assets, as they are known, provide a nice hedge when oil prices hit a rough patch.

Refining input costs tend to drop when [oil prices](#) fall, and when differentials are favourable, the refining side of the business can generate some nice margins. As for retail, lower oil prices often have a positive impact on service station revenues, as they result in higher gasoline demand due to reduced prices at the pump.

The integrated business structure is a big reason Suncor's stock held up so well during the oil rout.

Growth

Suncor took advantage of the downturn to pick up a variety of assets at attractive prices, including the purchase of Canadian Oil Sands, which gave Suncor a majority position in Syncrude.

The company also pushed ahead with organic projects, including Fort Hills and Hebron. Both facilities switched from development to production in recent months, and output should continue to ramp up through the end of 2018.

Cash flow

Suncor has made good progress on its efforts to drive down operating costs. In fact, oil sands

operating costs recently hit the lowest point in more than a decade. Improved operating efficiency in combination with rising production and higher oil prices should result in steady improvements in cash flow available for distributions.

Rising dividend

Suncor isn't widely appreciated as a dividend-growth stock, but the company is returning impressive amounts of money to investors. In fact, Suncor recently raised the distribution by 12.5%.

At the time of writing, the payout provides a yield of 3.3%.

Risks?

Pipeline bottlenecks continue to be an issue for Suncor and the other oil sands producers, and resistance to big new projects remains a concern. Suncor is finding alternative ways to get its product to market, including shipping crude by rail, but the Western Canadian Select price continues to trade at a discount to WTI prices.

Should you buy?

You have to be an oil bull to own any of the producers, but Suncor's integrated business structure makes the decision easier when considering a position in the sector.

At current oil prices, the company is generating decent cash flow, and the large increase in the dividend suggest management is comfortable with the revenue outlook.

If you are looking for an energy company to add to a buy-and-hold TFSA portfolio, Suncor should be a solid pick.

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