



Should Suncor Energy Inc. Be Part of Your RRSP Portfolio?

Description

Canadian investors are searching for ways to set aside some cash for their golden years.

One strategy involves owning dividend growth stocks inside an [RRSP](#) and investing the distributions in new shares; this sets off a powerful compounding process that can turn modest initial sums into a nice nest egg over time.

Which stocks should you buy?

The popular go-to picks tend to be the banks, utilities, or telecom companies, but there are other options in the Canadian market that deserve to be on your radar.

Let's take a look at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) to see if it deserves to be in your RRSP portfolio.

Integrated business model

Suncor is primarily known as an oil sands producer, but the company also owns large refineries and more than 1,500 Petro-Canada retail locations. These downstream assets provide a nice hedge against tough times in the production operations, and are a big reason why Suncor held up so well during the [route](#).

Strong results

Suncor generated record quarterly funds from operations of \$3 billion for Q4 2017, supported by strong performances in all of its divisions. Higher oil prices, improved refining margins, and lower operating costs all contributed to the positive results.

Oil sands cash operating costs came in at \$23.80 for 2017 compared to \$26.50 in 2016, making 2017 the best year on those metrics in more than a decade.

Growth

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

The company also pushed ahead with large organic projects, including Fort Hills and Hebron. The two facilities shifted from development to production in late 2017, and investors should see some impressive output numbers as production ramps up through 2018 and beyond.

Dividends and share buybacks

Suncor repurchased \$800 million in stock in Q4, and the board has approved up to \$2 billion in additional share buybacks beginning May 1, 2018. In addition, Suncor raised its 2018 dividend by 12.5%. At the time of writing, that's good for a yield of 3.2%.

As production rises and operating costs continue to fall, investors should see the dividend growth trend continue.

Should you buy?

Suncor has a strong balance sheet and the integrated business structure gives investors a nice hedge against volatility in the oil market. Oil prices appear to have stabilized above US\$60 per barrel, and while pipeline bottlenecks remain a concern in the near term for oil sands producers, Suncor is discovering new ways to get its product to market.

If you're looking for a dividend growth pick and are positive on the long-term outlook for oil, Suncor presents an interesting alternative to the usual suspects.

CATEGORY

1. Energy Stocks
2. Investing
3. Top TSX Stocks

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. Energy Stocks

- 2. Investing
- 3. Top TSX Stocks

Date

2025/08/14

Date Created

2018/03/29

Author

aswalker

default watermark

default watermark