



Should You Buy Suncor Energy Inc. Today?

Description

Oil prices are moving higher — and investors are wondering if it's finally time to move some funds back into the [energy](#) sector.

Let's take a look at the oil market and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) to see where opportunity might lie right now.

Oil rally

West Texas Intermediate (WTI) oil has recovered from US\$42 per barrel last summer to US\$67 per barrel in recent trading. Brent crude just topped US\$72.50, hitting a three-year high.

Global growth, ongoing OPEC efforts to reduce output and geopolitical tensions are offsetting rising U.S. production to support continued moves to the upside. Volatility should be expected going forward, but the current trend looks positive for the oil sector.

Which stocks should you buy?

There are several ways to invest in a recovery in the energy sector. Some people prefer to own the drillers, while others like to stick with the pure-play producers. A third option involves owning integrated players such as Suncor.

Diversified business groups

Suncor is broadly known for its oil sands production operations, but the company also owns refineries and more than 1,500 Petro-Canada retail stations. The integrated nature of the business is a big reason the stock held up so well during the oil rout, as the downstream assets provided a nice hedge against the difficult times in the production group.

In fact, the model worked so well that Suncor's stock price is currently higher than it was before the oil downturn began nearly four years ago.

Growth

Suncor took advantage of its strong balance sheet to add strategic assets at attractive prices during the downturn, including the takeover of Canadian Oil Sands, which gave Suncor a majority position in Syncrude.

The company also pushed ahead with large organic projects, and two of those developments are now ramping up production just as oil prices recover. Hebron and Fort Hills shifted from development to production in late 2017, and investors should see the benefits flow through this year and beyond. The completion of the projects should take the pressure off the capital program and free up more cash for distributions.

Dividends

Suncor is one of the few oil companies that continued to raise the dividend through the downturn, and investors are seeing the trend continue. The company recently raised the 2018 payout by 12.5%, and more gains should be on the way in the coming years. Suncor isn't widely viewed as a dividend play, but growth like that is hard to find, and the stock provides a solid 3% [yield](#).

Is it time to buy?

Pipeline bottlenecks in Canada remain an issue for the country's oil producers, which could continue for some time. However, Suncor is finding ways to get its product to market, and the company's low cost structure means it is able to generate decent margins even at Western Canadian Select prices, which trade at a discount to WTI.

If you like the oil sector but prefer to avoid the riskier pure-play producers, Suncor might be the best way to go today.

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