



## Another Reason Investors Should Back Up the Truck on Suncor Energy Inc. Stock

### Description

I have previously focused on why investors ought to consider Canadian oil & gas firm **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) in the past, calling Suncor one of the “[safest oil companies of the bunch](#)” for a number of obvious reasons. Looking at Suncor’s stock price over the past five years will give investors a very quick introduction as to why investors such as myself view Suncor as safe – note the relative lack of a “cliff” that has taken form in the stock charts of many oil & gas companies in recent years due to declining oil prices.

Rather than falling off the proverbial cliff, shares in Suncor have continued to muster on, supported by size, scale, and diversification – three factors I believe will become ever more useful in a commodity sector that has tormented investors with volatility and pessimistic sentiment for quite some time. How long such an outlook will continue remains to be seen; however, my view is that finding companies that are defensive options (even within a defensive sector) will become more important in the next 12-24 months as this very old bull market continues to ride on some rather precarious tailwinds.

In my hyperlinked article above, I discuss why Suncor remains such a solid option for investors today, noting the relative lack of correlation between Suncor’s underlying operations and the discount Canadian producers receive relative to global markets for heavy Canadian crude.

Building on this theme, Suncor recently announced (in early February) that the company had come to an agreement with Canbriam Energy Inc. to acquire a 37% stake in the natural gas company in exchange for Suncor’s early-stage natural gas assets in Northeast B.C. as well as \$52 million cash.

Investors may well ask: why is this divestiture a good thing?

For starters, this move aligns with the company’s overall strategy of reducing exposure to natural gas as a broad high-level play. By trading speculative assets for a stake in a high-performing operator of such assets, the company has essentially transferred any operational risk to Canbriam, and is now participating in any success from these properties, absent of any fluctuations in natural gas prices.

Suncor is a company with a significant cash position with the ability to continue to make deals like these happen over the near to long-term. With a management team insistent on creating value by

integrating other smaller producers into the company's supply chain, I expect to see many more good things for Suncor investors. To the extent an investor is able to put "safe" and "oil & gas" in the same sentence, Suncor remains at the top of my list.

Stay Foolish, my friends.

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