



A Top Oil Stock That Could Be a Massive Winner at \$100 Oil

Description

I can't predict where oil markets will be trading tomorrow or next month. In fact, forecasting commodity markets is a risky business, and analysts have been rarely correct in this field.

That said, it's much easier to analyze the companies that buy and sell commodities. From their balance sheets and income statements, you can make an educated guess as to what might happen to their profitability if oil prices continue to soar. Here is a Canadian oil stock that I believe is a good candidate if you believe that one day oil prices will regain their glory and reach the \$100-a-barrel magic number.

Suncor Energy

Calgary-based [Suncor Energy](#) ([TSX:SU](#))([NYSE:SU](#)), one of the largest oil sands producers in Canada, is a great pick for oil bulls for many reasons.

First, the company has a diversified asset base that includes large oil fields, gas stations, and wind farms. The company holds the largest reserves in the oil sands, and it owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

That means it's not fully exposed to oil markets and its integrated business in the energy supply chain can produce hefty cash flows, even if oil prices remain depressed for an extended period of time.

The other main attraction of buying Suncor is that the producer is also a solid income stock. Suncor has a long history of rewarding investors with growing dividends. This year, Suncor hiked its quarterly dividend by 12.5% to \$0.36 per share, marking the 16th year of consecutive annualized dividend hikes.

Cash flows at a record high

The third reason to buy Suncor is that the company is [well positioned](#) to benefit if oil prices continue to surge. Suncor generated the strongest second-quarter cash flow on record, with funds from operations of \$2.9 billion and operating earnings of \$1.2 billion. And its debt relative to cash flow is already low when compared to its Canadian peers.

For any oil giant, its biggest strength comes from its ability to increase the output as its existing reserves get depleted. On this front, Suncor is also doing a great job. Yesterday, Suncor launched its

\$17 billion Fort Hills oil sands project, which it built with other partners.

The Fort Hills project currently produces 150,000 barrels of oil per day (bpd) and is expected to ramp up to its full capacity of 194,000 bpd by the fourth quarter.

Bottom line

Trading at \$50.70 at the time of writing, Suncor stock is up 27% during the past 12 months and has already blown past analysts' consensus price target of \$46.86. Even after this impressive rally, Suncor still has a good potential for an upside move if oil prices continue to gain.

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1. Dividend Stocks
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