10 Reasons to Buy Suncor Energy Inc. (TSX:SU) Today and Never Sell

Description

I believe in one simple rule that should guide Canadian investors: forget about benchmarks, indexes, sector rotation strategies, and everything else. This strategy has proven to work in the past and should ensure success going forward. It's simple, too, meaning just about every investor can replicate it.

The rule? Investors should buy Canada's top companies and never sell. It's really that simple.

Suncor Energy (TSX:SU)(NYSE:SU) is one such stock. Here are 10 reasons to add it to your portfolio for the long term today.

52-week low

Thanks to today's turbulent markets, Suncor's stock price recently hit a fresh 52-week low of $37.73. Shares are down more than 24% over the last three months, too.

Buying at depressed levels is usually a good thing. Sure, you might not catch the bottom, but shares are undoubtedly cheap today.

Valuation

Suncor shares are attractive on a price-to-earnings perspective, too. Analysts expect the company to earn $3.71 per share next year, which gives the stock an enticing 8.8 times forward P/E ratio. You won't find many stocks that cheap.

Suncor also trades at a mere 1.3 times book value and 1.6 times sales.

Not just oil

Unlike most of its competitors, Suncor's fortunes aren't just tied to the price of crude oil. A large portion of its profits come from its downstream operations, which include refining oil, producing ethanol, and providing gasoline and diesel to more than 1,500 gas stations across Canada. The company also has a large division that operates wind power farms.

Solid balance sheet

Even if crude oil continues to struggle here, Suncor can weather this storm.

Suncor has $2.3 billion worth of cash on its balance sheet today and access to an additional $3.7 billion worth of credit from bank loans alone. It also has the ability to borrow at attractive rates because of its investment grade credit rating.

In addition, the company has no major debt coming due until 2021.

Oil production growth

Suncor took the opportunity to load up on great assets when the crude oil market crashed in 2015.

Before that crisis, Suncor produced a little less than 500,000 barrels per day. It then acquired certain parts of oil sands properties it didn't already own and expanded conventional oil production as well as finished phase one of its Fort Hills oil sands project. The result of all this is expected production approaching 900,000 barrels of oil per day in 2020.

Leveraged to oil's recovery

An investment in Suncor allows investors a way to make a lot of money if oil recovers, all while getting some downside protection.

Suncor's diverse operations ensure it can survive even a long oil bear market, unlike a pure energy producer. And when crude marches higher, Suncor shares will follow.

Cost management

Suncor has done a wonderful job cutting costs in its largest oil sands facilities. In 2012, it cost over $35/barrel to produce oil in the region. These days that cost is closer to $25, and investments in technology such as self-driving trucks could push it even lower.

Share buybacks

Suncor has long rewarded shareholders with share buybacks. From 2012 to 2017, it spent nearly $4/share on its buyback program.

The company has permission to repurchase approximately 81 million shares from May 4, 2018, to April 30, 2019. At the end of November it had already bought some 39 million of those shares.

When completed, this buyback should return approximately $3 billion back to shareholders.

Nice dividend

The recent share price decline has increased Suncor's dividend yield nicely, boosting it up to nearly 4% for the first time in years. Shares currently yield 3.75% — an excellent payout.

Dividend growth

Many energy companies have cut their dividends in recent years. Suncor has done the opposite, raising its distribution throughout this tough period. In fact, Suncor has increased its dividend annually for the last 16 years.

Suncor's payout has essentially doubled since 2013, increasing from $0.73 per share to $1.44 annually in 2018.

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