



## 3 Massive Reasons to Buy Suncor Energy Inc. (TSX:SU) Today

### Description

In mid-February, uber-investor Warren Buffett made headlines when it was disclosed he took a new stake in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), Canada's largest oil producer.

Through his holding company **Berkshire Hathaway**, Buffett owns some 10.8 million Suncor shares. That stake is worth just a hair under \$500 million, which means it's both a small position for Buffett and that Berkshire owns a mere 0.7% of Suncor's shares.

Still, news that Buffett was in Suncor is viewed as a bullish sign. Shares of the energy giant are up approximately 5% since the stake was announced. This is actually the second time Berkshire has purchased Suncor shares; Buffett first bought Suncor back in 2013 and sold that original position in 2016.

An investment like this is usually a pretty bullish sign, but it's not the only reason you should be bullish on the name. Here are three other reasons why I like Suncor shares today.

### Integrated business model

Suncor is Canada's largest energy producer, with production expected to be approximately 800,000 barrels of oil per day in 2019. Most of Suncor's oil comes from the oil sands, but the company's conventional oil production has increased nicely over the last few years, with 2019's production projected to be about 100,000 barrels of oil per day.

The conventional production is focused on offshore projects around the United Kingdom and Norway. This crude has the advantage of being priced using Brent prices, which are consistently higher than what North American producers are getting.

Oil production isn't the whole story here, however. Suncor owns four different refineries, which have a combined capacity of about 500,000 barrels of oil per day. Much of Suncor's own production ends up going through these refineries.

It also owns the end customers for much of its refined product, with a fleet of some 1,700 Petro Canada gas stations. Petro Canada also has approximately 300 bulk fuel stations.

This integrated business model delivers steady profits, even when the price of crude oil has declined. It makes Suncor a much safer stock than a pure oil producer.

## Massive reserves

Most oil producers must be constantly scoping out new drilling sites, or else they simply won't have anywhere left to produce after a few years. One of the big advantages of investing in Suncor is, it doesn't have this problem.

Oil sands assets have an incredibly long life. Even after years of pumping out massive amounts of bitumen from the oil sands, Suncor estimates it has 36 years of reserves left in the region. And that doesn't even count new projects in the area or any potential advances in technology increasing reserve life.

And remember, most of the cost for oil sands production is spent up front. It requires very little in ongoing capital to maintain oil sands production.

## Shareholder friendly

Suncor is, by far, the most shareholder-friendly company in the energy sector — at least in this analyst's opinion.

Let's start with the dividend, which has been increased for 17 consecutive years. The most recent increase, which was just announced in February, saw the payout increase 17% to \$0.42 per share on a quarterly basis. That's good enough for a 3.7% forward yield.

Then there's the share buyback. Between May 2017 and February 2019, Suncor spent approximately \$5 billion buying back its own shares. It plans to spend an additional \$2 billion on buybacks in 2019. Management is being smart about the repurchase program too, pledging additional dollars when oil recovers.

Add the dividend and the share buyback together, and investors are looking at a shareholder's yield of 6.5%. That's nothing to scoff at.

## The bottom line

Suncor is a wonderful oil company that would look good in any investor's portfolio. Its diverse operations and shareholder-friendly management team are just two of many reasons you should be taking a hard look at shares today. Hey, it's good enough for Warren Buffett, and he's the greatest investor of all time.

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