Add This Top Energy Stock to Your Portfolio and Profit From Its Dividends for Years

Description

Suncor Energy (TSX:SU)(NYSE:SU) got the attention of investors recently. The company released its fourth-quarter and full year financial results for the year 2018 on February fifth. But perhaps more important, Warren Buffett — the man widely regarded as the greatest contemporary investor — added shares of the Alberta-based energy firm to his company's portfolio.

Getting a nod of approval from the CEO of **Berkshire-Hathaway** is a bit of a compliment for any company. However, before jumping aboard the Suncor ship, it would be wise to determine whether this would be a good investment for you. Let's consider two reasons why income investors would benefit from buying shares of Suncor.

A business built to last

Suncor is an integrated oil company, which means it is involved in all stages of the oil business, from the extraction of crude oil and natural gas, its processing, transportation and refinement, and its eventual sale to consumers. Alberta — which is where Suncor operates — is home to the majority of Canada's natural oil and gas reserves.

There are at least two inherent advantages to Suncor's operations. First, the product and services it offers aren't likely to be made obsolete anytime soon. Warren Buffett is well known for holding on to stocks for many years, and successfully doing so requires one invests in companies that offer products that will be in high demand at least for the foreseeable future. Suncor definitely fits the bill; while parts of the energy industry will likely be revamped due to environmental concerns, oil will continue to be critical to all aspects of the economy.

Second, Suncor being involved in upstream, midstream, and downstream operations means the company's earnings will weather economic downturn better than non-integrated oil companies. A decrease in oil prices does not affect every part of the oil industry in the exact same way. The upstream part of the equation is highly capital intensive, and upstream operations tend to suffer the most from low oil prices.

Downstream operations are still affected, but low oil prices can increase consumer activity, thus raising the company's top line. Of course, these are general trends, but the point is, an integrated energy company is likely to be less volatile than one that focuses solely on either upstream or downstream operations.

Showering investors with cash

Suncor is dedicated to returning capital to shareholders by way of dividends and shares buybacks. Over the past ten years, the company has increased its quarterly dividend payouts by more than 700%, which amounts to an annual increase of more than 140%. Suncor's dividend yield is currently 3.74% with an excellent ratio (by industry's standards) of 71.29%. Suncor has now raised its dividends for 17 consecutive years.

Suncor's management recently approved an additional shares buyback program amounting to up to $2 billion; the company just completed a $3 billion stock buyback program.

Investor takeaway

Given its market position and the services it offers, Suncor is well positioned to continue generating strong earnings. The company will keep rewarding investors by way of increasing dividends. Income investors have very good reason to add shares of Suncor and reap the benefits for years to come.

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