



## Suncor Inc. (TSX:SU) Is the Safest Way to Play an Oil Recovery

### Description

As a value investor, I am very excited about the opportunities that there are in the western Canadian oil patch. There are so many small, massively profitable companies trading at extremely low valuations.

It's so crazy, in fact, that you could practically throw a rock at the Albertan countryside and buy the first company that rock hits and get a good deal.

Although it might not be quite that easy, the deals are certainly there. The problem is, there's no way to know when other investors might come back to the oil fields. You could potentially be sitting on these underbought companies for years while you wait for big money to come back to the sector.

### This is the safest way to get into the oil sector

As a result, many people might be better served to buy one of the larger producers, like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)).

Suncor gives you exposure to the big investors, as it's highly likely they will buy up shares of this large, integrated company before they start moving down the chain to the junior producers. Even large investors like [Warren Buffet have](#) been drawn to the company, as it's a fabulously managed oil giant.

Suncor has a number of benefits that the juniors do not. First of all, the company owns a large variety of geographically diversified assets that the smaller companies don't.

Apart from its oil production assets, Suncor owns midstream assets, refineries, and even gas stations like our very own Petro-Canada.

The company is also involved in wind power and biofuel production which makes it a fairly "green" company insofar as energy producers are concerned.

All of these businesses have made Suncor a very successful Canadian company over the past several years. Even now, as many smaller companies struggle, Suncor has been able to make money.

While lower than a year earlier, Suncor still managed to produce strong earnings of over \$1 billion in the third quarter. Funds from operations came in at \$2.675 billion, again lower than a year earlier, but still strong given the economic backdrop and volatile oil prices.

This oil producer's dividend is also a reason to buy shares in the company if you are looking for a relatively stable way to play Canadian energy. At 4%, its dividend isn't as high as some of the junior oil producers, but this is a dividend you can count on.

Suncor has a long streak of steady increases under its belt, with a 17% increase announced earlier this year. This makes Suncor one of the safest dividend companies in the sector, continuously raising its dividend while other companies have to cut. This oil company's shares have also enjoyed a period of relative stability, as investor money has preferred stability.

## The bottom line

Personally, I am going to try my luck with junior oil companies over the larger, safer Suncor. I have no doubt that Suncor is one of the safest, best dividend-paying stocks in Canadian energy.

It's just at this stage in the game I believe that the biggest bang for my value dollar is going to come from the junior producers.

But don't get me wrong: investing in smaller stocks is not for everyone. If you want to benefit from a resurgence in Canadian oil but don't want the higher volatility and a less certain dividend, Suncor is probably a better choice for you. Its long history of dividend raises is encouraging and will produce a decent return over time.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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**Date**

2025/08/27

**Date Created**

2019/11/22

**Author**

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