



The Top Core Canadian Stock to Buy in February

Description

In today's markets, there are a large number of companies that you could consider to be high-quality operators. These companies have a strong position in their market, are reasonably profitable, and can provide a decent return for investors long term.

There are, however, only a small number of the top-notch companies — businesses that dominate their industry and have competitive advantages so large, it's hard to ever see anything bad happening to them long term.

These businesses are the ones you want to focus on and build the core of your portfolio with.

Because there are not that many of these companies, it's easy to make a list of the best of the best and monitor it often, watching for any pullbacks in the stocks. This way you can gain some exposure and continue to build the core of your portfolio by finding the highest-quality stocks while they are undervalued.

A stock like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is the perfect core portfolio stock to consider buying in February.

Suncor is a great stock for a number of reasons. It's an industry leader in one of the most important industries in the economy — the energy industry.

It's also a company with strong integration and diversification, insulating its business operations and protecting shareholder capital.

[Suncor](#) has roughly 940,000 barrels of oil equivalent per day (BOEPD) of production capacity, roughly 460,000 BOEPD of refining capacity and retail operations all across Canada, which play a major role in reducing its exposure to the price of oil.

Its unique position gives it a strong competitive advantage and allows it to have more predictability in its cash flows than a number of its peers, giving it one of the most stable dividends in the industry.

Since the price of oil came down considerably back in 2014 and 2015 Suncor has been lowering its costs and revitalizing its business as well as improving its financial position.

It's been growing its earnings before interest, taxes, depreciation, and amortization (EBITDA) and its free cash flow considerably, as it's been revamping the business, and that has allowed it to reduce some of its debt load and improve its financial position.

This gives it more flexibility in case of a future catastrophe in the commodities markets and makes it one of the most reliable energy companies in Canada, which is why it's a great core stock.

Suncor has a super-low cost business that gives it the ability to be able to fully fund both its dividend and sustaining capital at an average oil price of just US\$45 WTI.

The dividend is another attractive feature of Suncor, yielding more than 4% today, after being increased 65% over the last five years — a compounded annual growth rate of 10.5%.

Suncor is one of the best energy companies in Canada, an industry that's crucial to the construction of a well-diversified portfolio. Plus, you know it's a great company, as it's one of the only Canadian stocks that's owned by [Warren Buffett](#).

The stock is trading at an EV/EBITDA of just 6.2 times and a price-to-book ratio of just 1.4 times today for a company that's been able to generate an 11% return on equity over the last four quarters.

Its undervalued stock, attractive dividend, and numerous growth opportunities make it one of the best triple-threat stocks on the TSX and the perfect long-term company to build you wealth.

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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