

Rating: Buy  
S&P 500: 1389

## Suncor Energy Next Milestone 2008

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	3,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	77.79	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	10/26/06	<i>Adjusted Reserves/Production NTM</i>	20.8
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	10.0
<i>Market Capitalization (US\$mm)</i>	35,900	<i>PV/Ebitda</i>	12.1
<i>Debt (US\$mm)</i>	2,700	<i>Undeveloped Reserves (%)</i>	23
<i>Enterprise Value (EV) (US\$mm)</i>	38,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	33.50
<i>Present Value (PV) (US\$mm)</i>	46,500	<i>Present Value Proven Reserves(US\$/boe)</i>	18.70
<i>Net Present Value (US\$/share)</i>	95	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.12
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.25
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	18
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.28

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

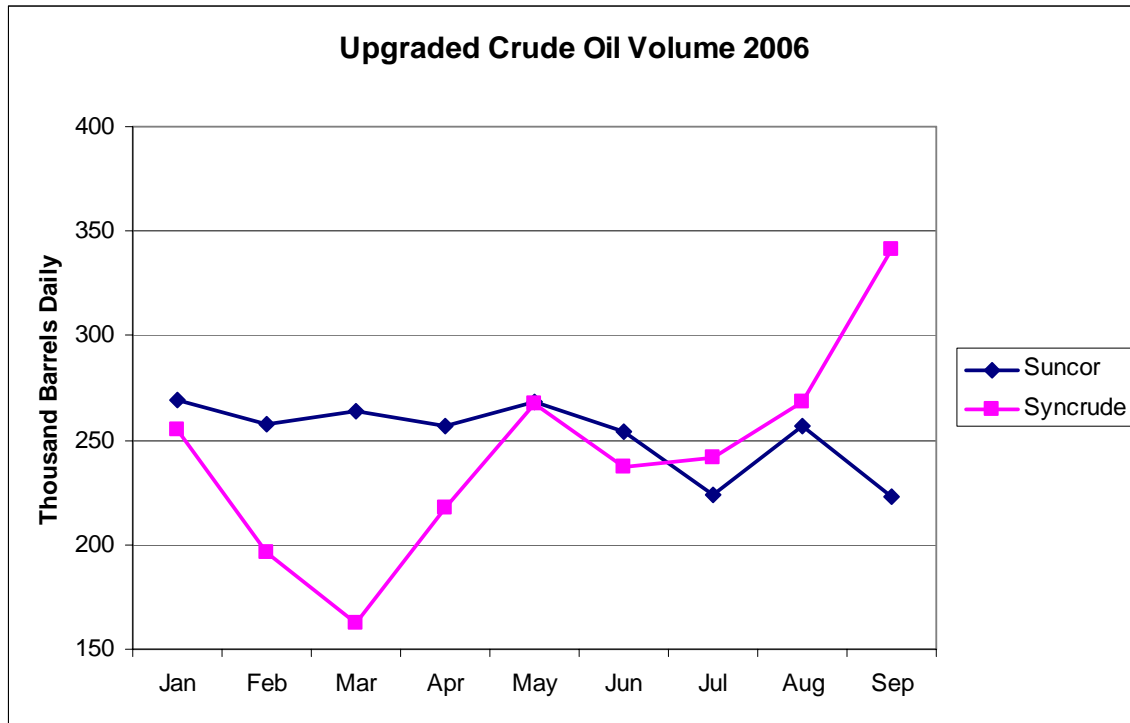
Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

### Summary and Recommendation

At a McDep Ratio of 0.83, buy-recommended **Suncor (SU)** offers unlevered appreciation potential of 21% to estimated present value. Futures prices for oil averaging \$66 a barrel for delivery over the next six years seem to validate estimated present value. Buy-recommended **Royal Dutch Shell (RDS)**'s offer to buy the minority interest in Shell Canada (SHC.TO) immediately makes investors wonder if another buyer might want to acquire Suncor. Our valuation of all of Suncor, Canada's first oil sands miner/upgrader, equates to 92% of our value of Syncrude, 35.5% owned by buy-recommended **Canadian Oil Sands Trust (COSWF)**. In two years, Suncor expects to be producing 350,000 barrels daily, the level Syncrude nearly reached in September for the first time (see chart). Whether Suncor should become a trust is another timely question as that structure spreads throughout Canadian industry. Possibly returning to favor with investors as stock price crosses its 200-day average, Suncor has a half weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

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**Suncor**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	220	8.2	7.7	1,700	4%
Oil	3,110	22.1	13.4	41,800	90%
Downstream	520		5.8	3,000	6%
	3,850	20.8	12.1	46,500	100%
Debt (US\$mm)				2,700	
Net Present Value (US\$mm)				43,800	
Shares (mm)				461	
Net Present Value - Standard Estimate (US\$/sh)				95	

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**Suncor**  
**Next Twelve Months Operations**  
(Canadian Dollars)

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/05</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>9/30/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	200	189	191	191	<b>192</b>	191	191	191	<b>191</b>
Oil (mbd)	147	269	241	241	<b>257</b>	241	241	241	<b>241</b>
Total gas & oil (bcf)	100	164	150	150	<b>633</b>	147	149	150	<b>597</b>
Total gas & oil (mbd))	181	300	273	273	<b>289</b>	273	273	273	<b>273</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.56	6.81	6.58	6.30	<b>7.17</b>	8.19	7.61	7.81	<b>7.48</b>
Currency (US\$/C\$)	0.83	0.89	0.89	0.89	<b>0.88</b>	0.89	0.89	0.89	<b>0.89</b>
Henry Hub (C\$/mmbtu)	10.29	7.63	7.38	7.10	<b>8.11</b>	9.24	8.57	8.80	<b>8.43</b>
U.S. (or North America)	8.34	6.22	6.13	5.90	<b>6.75</b>	7.67	7.12	7.31	<b>7.00</b>
Oil (\$/bbl)									
WTI Cushing	62.52	70.47	70.42	58.64	<b>65.71</b>	61.56	63.85	65.29	<b>62.34</b>
WTI Cushing (C\$/bbl)	75.14	79.00	78.95	66.10	<b>74.21</b>	69.39	71.98	73.60	<b>70.27</b>
Company	67.78	75.19	71.86	60.17	<b>68.30</b>	63.17	65.52	67.00	<b>63.96</b>
Total gas & oil (\$/mcf)	10.75	11.87	11.29	9.55	<b>10.87</b>	10.19	10.48	10.72	<b>10.23</b>
NY Harbor 3-2-1 (\$/bbl)	16.70	15.39	11.67	6.84	<b>10.32</b>	7.57	11.57	11.80	<b>9.44</b>
<b>Revenue (\$mm)</b>									
Natural Gas	153	107	108	104	<b>473</b>	132	124	128	<b>488</b>
Oil	919	1,839	1,592	1,333	<b>6,409</b>	1,369	1,436	1,484	<b>5,622</b>
Other	2,069	2,124	2,414	2,414	<b>9,011</b>	2,414	2,414	2,414	<b>9,657</b>
Total	3,142	4,070	4,114	3,851	<b>15,893</b>	3,915	3,974	4,027	<b>15,767</b>
<b>Expense</b>									
Fixed	293	373	309	309	<b>1,262</b>	309	309	309	<b>880</b>
Variable	293	373	309	261	<b>1,214</b>	273	284	293	<b>838</b>
Other	1,914	1,921	2,230	2,837	<b>8,999</b>	2,949	2,804	2,832	<b>8,117</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	487	1,199	1,082	866	<b>4,405</b>	919	967	1,010	<b>3,763</b>
Other	155	203	184	147	<b>582</b>	48	203	184	<b>582</b>
Total Ebitda	642	1,403	1,266	1,014	<b>4,987</b>	966	1,170	1,195	<b>4,345</b>
Exploration	29	31	18	18	<b>98</b>	18	18	18	<b>72</b>
Deprec., Deplet., & Amort.	174	175	189	189	<b>711</b>	189	189	189	<b>756</b>
Hedging and Insurance	(53)				<b>-</b>				<b>-</b>
<b>Ebit</b>	492	1,197	1,059	807	<b>4,178</b>	759	963	988	<b>3,517</b>
Interest	45	33	30	30	<b>131</b>	30	30	30	<b>121</b>
<b>Ebt</b>	447	1,163	1,029	777	<b>4,047</b>	729	933	957	<b>3,396</b>
Income Tax	156	407	360	272	<b>1,416</b>	255	327	335	<b>1,189</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	277	1,169	595	440	<b>2,966</b>	460	511	537	<b>1,948</b>
Other	67	120	87	75	<b>298</b>	24	107	98	<b>304</b>
Unallocated	(54)	(533)	(13)	(10)	<b>(633)</b>	(10)	(12)	(12)	<b>(44)</b>
Total	290	756	669	505	<b>2,630</b>	474	606	622	<b>2,207</b>
<b>Shares (millions)</b>									
Per share (\$)	0.63	1.64	1.45	1.09	<b>5.70</b>	1.03	1.32	1.35	<b>4.79</b>
Ebitda Margin	20%	34%	31%	26%	<b>31%</b>	25%	29%	30%	<b>28%</b>
Tax Rate	35%	35%	35%	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>

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