



Independent Stock Idea

January 20, 2009

rating: hold
s&p 500: 850

Suncor Energy (SU) Volumes Climbing

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 12/31/09 (US\$m)</i>	3,100
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	22.02	<i>Natural Gas and Oil Production/Ebitda (%)</i>	93
<i>Pricing Date</i>	1/16/09	<i>Adjusted Reserves/Production NTM</i>	22.5
<i>Shares (mm)</i>	943	<i>EV/Ebitda</i>	9.2
<i>Market Capitalization (US\$m)</i>	20,800	<i>PV/Ebitda</i>	19.1
<i>Debt (US\$m)</i>	8,300	<i>Undeveloped Reserves (%)</i>	33
<i>Enterprise Value (EV) (US\$m)</i>	29,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	24.90
<i>Present Value (PV) (US\$m)</i>	60,100	<i>Present Value Proven Reserves(US\$/boe)</i>	20.97
<i>Net Present Value (US\$/share)</i>	55	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.50
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.27
<i>McDep Ratio - EV/PV</i>	0.48	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	0.7	<i>Indicated Annual Dividend (US\$/sh)</i>	0.16
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\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of SU since 2004 see www.mcdep.com/2su.htm			

Summary and Recommendation

We believe that long-term oil price will justify unlevered appreciation potential of more than 100% to estimated net present value (NPV) of \$55 a share for hold-rated **Suncor Energy (SU)**. In contrast, NPV would be below current stock price if the current daily quote around US\$35 a barrel for Light, Sweet Crude Oil would become the long-term price. Released today, fourth quarter results displayed the beginning of a climb in oil volume toward 350,000 barrels daily (bd) as a recently completed capacity expansion becomes operational. Estimated volume of 290,000 bd in 2009 combined with a full-year industry oil price of US\$50 a barrel indicated in the futures market would generate unlevered cash flow (Ebitda) of US\$3.1 billion, C\$3.9 billion (see table Next Twelve Months Operating and Financial Estimates). Investment in expansion to 550 mbd has been slowed with C\$7 billion spent so far. Pointing to expected oil price recovery, futures prices for the next six years averaged US\$66 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures). For investors with patience or a prospective corporate acquirer, Suncor offers classic long-term value at depressed short-term price.

Kurt H. Wulff, CFA



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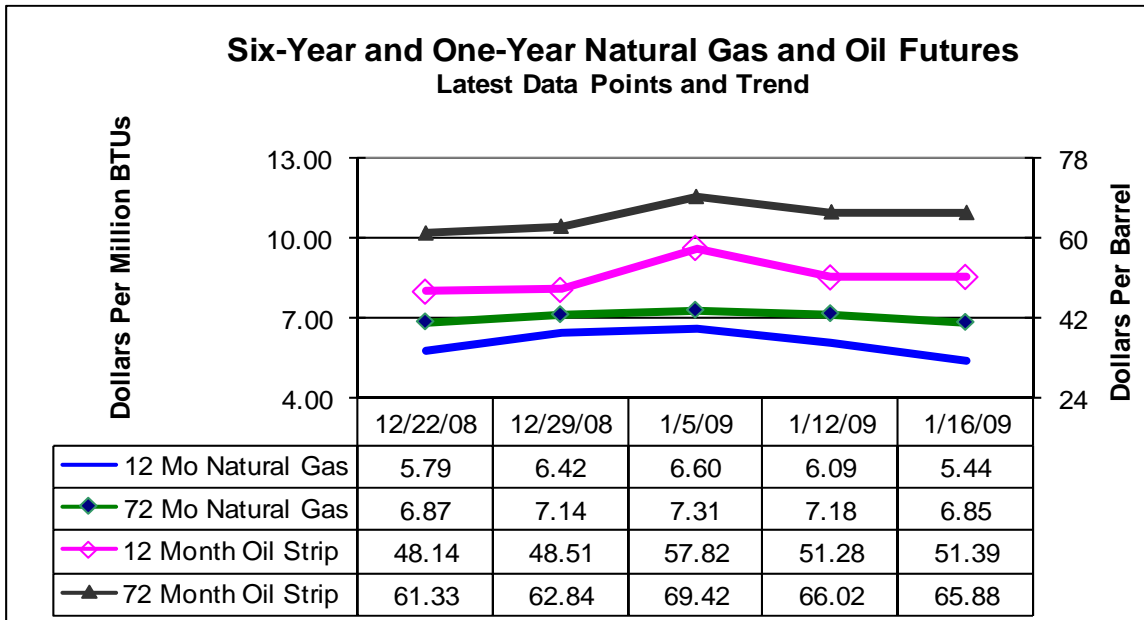
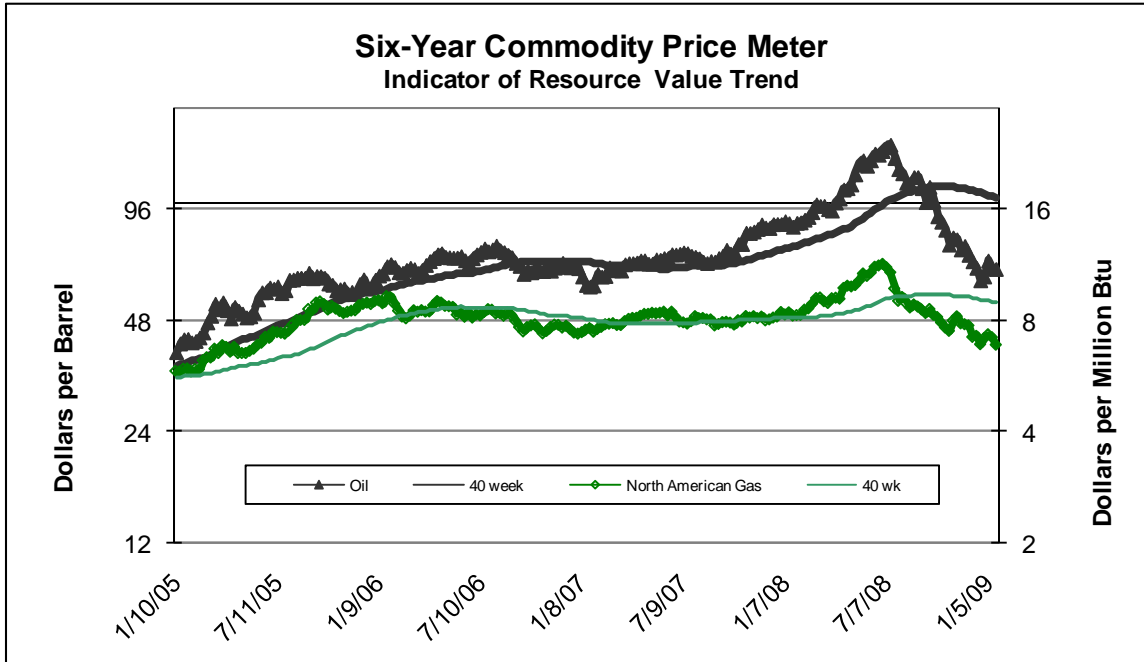
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Suncor									
Next Twelve Months Operations									
(Canadian Dollars)									
									<i>Next</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Twelve</i>
	<i>12/31/07</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>Months</i>
Volume									
Natural Gas (mmcf)	210	197	195	202	195	195	195	195	195
Days	92	92	92	366	90	91	92	92	365
Oil (mbd)	255	222	265	230	260	280	300	320	290
Total gas & oil (bcf)	160	140	164	579	158	171	184	195	707
Total gas & oil (mbd)	290	254	298	264	293	313	333	353	323
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.97	10.25	6.95	9.04	5.25	4.97	5.29	6.01	5.38
Currency (US\$/C\$)	1.02	0.96	0.83	0.95	0.80	0.80	0.80	0.80	0.80
Henry Hub (C\$/mmbtu)	6.84	10.66	8.40	9.54	6.52	6.18	6.58	7.47	6.69
Company	6.02	9.10	6.90	8.23	5.36	5.08	5.40	6.14	5.50
Oil (\$/bbl)									
WTI Cushing	90.67	117.99	58.45	99.59	38.53	49.29	53.81	56.66	49.57
WTI Cushing (C\$/bbl)	88.91	122.77	70.62	104.25	47.89	61.27	66.88	70.43	61.62
Company	82.09	116.90	60.94	95.99	41.33	52.88	57.72	60.78	53.78
Total gas & oil (\$/mcf)	12.76	18.14	9.80	15.01	6.72	8.42	9.21	9.76	8.61
NY Harbor 3-2-1 (\$/bbl)	8.19	11.84	5.10	9.86	10.56	9.10	6.94	2.76	7.34
Revenue (\$mm)									
Natural Gas	116	165	124	607	94	90	97	110	391
Oil	1,926	2,383	1,486	8,083	967	1,347	1,593	1,789	5,697
Other	2,916	6,398	5,586	21,399	5,586	5,586	5,586	5,586	22,343
Total	4,958	8,946	7,196	30,089	6,647	7,023	7,276	7,485	28,431
Expense (\$mm)									
Exploration and Production	1,266	1,760	1,193	5,693	637	862	1,014	1,140	3,653
Other	14	133	(124)	421	56	91	71	38	255
Total Ebitda	1,280	1,893	1,069	6,114	692	953	1,085	1,178	3,908
Exploration	17	30	17	90	20	20	20	20	80
Deprec., Deplet., & Amort.	266	279	282	1,077	282	282	282	282	1,128
Ebit (\$mm)									
Interest	997	1,584	770	4,947	390	651	783	876	2,700
Interest	58	74	103	307	103	103	103	103	412
Ebt (\$mm)									
Income Tax	939	1,510	667	4,639	287	548	680	773	2,288
Income Tax	329	529	234	1,624	101	192	238	270	801
Net Income (\$mm)									
Exploration and Production	1,031	872	575	2,964					-
Other	-	46	(181)	51					-
Unallocated	(421)	64	40	0					-
Total	610	982	434	3,015	187	356	442	502	1,487
Shares (millions)									
Per share (\$)	946	953	943	950	943	943	943	943	943
Per share (\$)	0.65	1.03	0.46	3.18	0.20	0.38	0.47	0.53	1.58
Ebitda Margin (E&P)	62%	69%	74%	66%	60%	60%	60%	60%	60%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Suncor					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	160	7.9	10.6	1,700	3%
Oil	2,770	23.9	20.0	55,400	92%
Downstream	210		14.3	3,000	5%
	3,140	22.5	19.1	60,100	100%
Debt (US\$mm)					8,300
Net Present Value (US\$mm)					51,800
Shares (mm)					943
Net Present Value - Standard Estimate (US\$/sh)					55

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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