Suncor Energy(TSX:SU)

Energy Coverage

March 3rd, 2016

"Defensive play with strong downside protection and some exposure to the upside"

Initiating coverage – BUY Report

Target Price: C$40, **representing 19% upside**

Current Price : C$33.64

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Capitalization Table

Price (03-Mar-2016)	C$33.64
FD Shares outstanding (m)	1,558.87
Equity value (C$m)	$36,680.1
(+) Debt	15,303.0
(-) Cash & equiv.	(4,049.0)
Enterprise value (US$m)	$47,934.1

Key Data

FY	2014A	2015A	2016F
Revenue (C$m)	39,862.0	29,208.0	26,475.0
EBITDA (C$m)	13,081.8	9,599.0	6,076.0
Dividend Yield	2.76%	3.20%	3.50%
EV / EBITDA (x)	5.6x	5.3x	8.3x
Share Price	C$37.24	C$36.90	C$35.71

LTM Price Chart

Investment thesis

In a tough energy pricing environment, we believe it is important to own companies with strong management and ample financial liquidity. An investment in Suncor Energy gives the fund exposure to the upside in oil prices while mitigating the downside due to their top refining & marketing business segment. Even with low WTI prices, Suncor is able to generate EBITDA through capitalizing on spreads between WSC and Brent oil prices.

Catalyst

- Refining & marketing operating segment representing over 2/3 of total revenue is the source of top quartile EBITDA margins
- Forward-thinking capital allocating decisions in recent years has Suncor in an exception position with respect to its balance sheet, allowing it to buyback shares and increase its dividend
- Recent acquisition of Canadian Oil Sands gives Suncor the largest reserves in Canada and potential for synergies

Valuation

Our C$40.00 one-year target price on SU is based on 12.1x EV/EBITDA for 2016, a 1.6x premium over its present multiple, inline with its Canadian Integrated peers currently trading at a median of 12.5x 2016 estimate of EBITDA making it a relatively conservative target as it has historically traded at inline with its peers.

Table of contents

Executive Summary

A combination of the commodities environment and the Fund's view towards the energy sector point towards owning an integrated energy company as they are typically viewed as a defensive investment in the sector due to their refining & marketing operations. As well with the unstable price of oil a strong balance sheet is extremely important to ensure the business can survive at trough pricing.

Suncor covers all of the above bases as its management has made capital allocation decisions in recent years that were viewed as unintelligent when oil was trading above US$100/bbl; however, with WTI trading in the US$30-US$35/bbl range it shows that CEO Steve Williams is the type of executive an investor would want to trust with their capital. While other Canadian energy companies have been forced to cut their dividends to shore up their balance sheet, Suncor has been buying back shares and increasing their dividend while maintaining the best balance sheet in the industry. Most recently, they have acquired Canadian Oil Sands at a 29% from their 52 week high price, allowing them to now have a near majority ownership at Syncrude.

We are confident that by having superior operating margins paired with a clean balance sheet warrants Suncor a premium multiple to the level it is currently trading at, which are two of the primary reason we are recommending a buy of Suncor's shares at its last trading price.

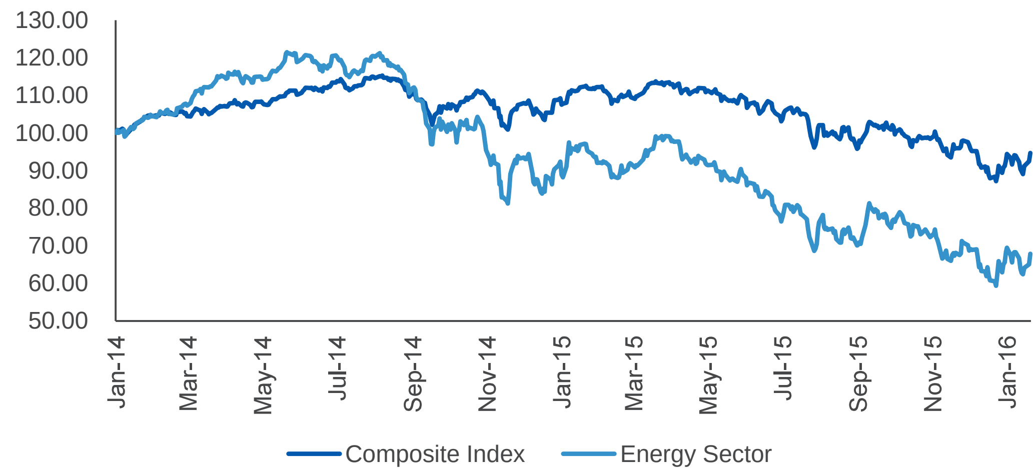
Industry Review & Emerging Themes

Recent oil developments

In the last two years, the price of WTI has declined 63%, drastically changing the Canadian energy space. The sector used to represent 25.65% of the S&P/TSX Composite Index and now represents 18.35%. This decline is demonstrated in **Exhibit 1**. A loss of consumer confidence has occurred in the energy sector, making it more difficult for Canadian energy companies to access capital markets and financing. While this decline in pricing has had a large impact to the sector, it has affected each component of the sector in a different way.

Exhibit 1

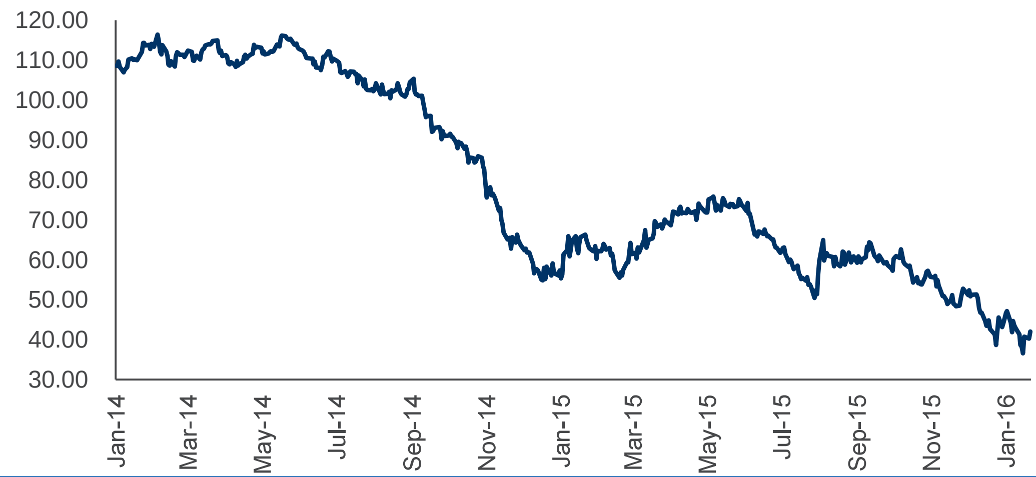
Composite Index vs. Energy Sector Performance[1]



Indeed, not all of the industry is impacted by movements in the price of oil to the same extent. 75% of the aggregate market capitalization of energy companies in North America have their revenues driven by upstream operations, commonly referred to as exploration & production. This component of the sector experiences the most profound impact of price movements, predominantly crude oil and natural gas prices. The drop in the price of is displayed in **Exhibit 2**.

Exhibit 2

WTI Price (C$/bbl) [1]



1 Source: Bloomberg

Industry Review & Emerging Themes

Fund’s Outlook towards Oil & Gas

Economic weakness is spreading beyond the energy-producing regions and sectors, posing significant challenges for many business. The slump in oil prices also affects Canadian consumers’ confidence – the Conference Board of Canada’s monthly index of consumer confidence fell to its lowest level in two years in December. The index, which dropped 12 points to 91, finds that Canadians are increasingly fretful about their finances and job prospects, and reluctant to make major purchases.

Following last year’s steep decline in oil prices and with a continued bearish outlook on the sector for the next couple of years, we are positioning the energy portfolio in a way to maximize its performance in this depressed oil environment. In order to outperform, we will avoid companies that are heavily indebted and that operate in high-cost oil extraction plays. We will proceed to sell our high cost producing companies, such as Cenovus, and replace them with either a high quality refiner, an integrated oil and company or a low cost gas extraction company. The aforementioned companies are a natural hedge in a bearish oil price environment and also exhibit counter-cyclical characteristics that will help us generate positive alpha. We will stay away from energy service companies, as these are the most affected by a deep decline in oil prices.

Keeping the fund’s view in mind, we observe the implications of oil price gyrations in the midstream & downstream components of the energy sector. The midstream component is primarily dominated by large pipeline owners, namely Enbridge, TransCanada, and Kinder Morgan. Their cash flows are generated from long term contracts with upstream and integrated companies. While this sector is protected from steep pricing declines due to the contractual revenues, persistent low prices will result in upstream companies reaching bankruptcy of ceasing to grow operations. This is an extremely large risk to the sector as the companies must maintain significant cash flows to reach their obligations with respect to the financing of their pipelines. Moreover, a rising interest rate environment may cause the midstream companies financing to become more and more expensive.

Although downstream operations do not benefit as much from price spikes as upstream do, their cash flows depend on pricing spreads, which they are able to capitalize on through their refining and marketing operations. Regardless if the price of WTI is $20 or $100, they are able to benefit from differences in pricing between various grades of crude oil products.

Industry Review & Emerging Themes

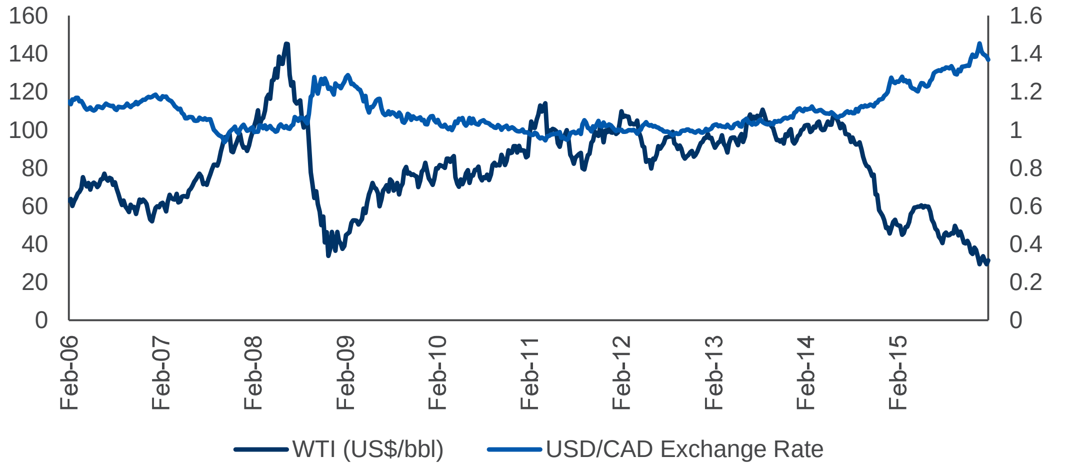
Impacts of Low Oil Pricing

Balance Sheet

Empirical evidence show that the majority of energy companies in Canada make capital decisions based on the future growth prospects of their operations and that company cash flows are highly dependent on the price of oil. Specifically, energy companies are known to spend the entirety of their cash flow when prices are high because management teams look to continue to grow their production and make asset acquisitions in higher-cost regions as they become profitable. However, when prices break their upwards momentum and supply growth exceeds demand growth, there is a sudden shock in the sector as leverage ratios increase faster than the companies can adjust. This becomes a significant problem as covenants can be broken or if the company's debt is denominated in US$, where the effect would act as a double negative – increase in the value of debt in C$ and decrease of cash flows. The relationship of WTI in US$ and USD/CAD exchange rate can be observed in **Exhibit 3**.

Exhibit 3

Correlation of WTI (US$/bbl) and USD/CAD FX rate[1]



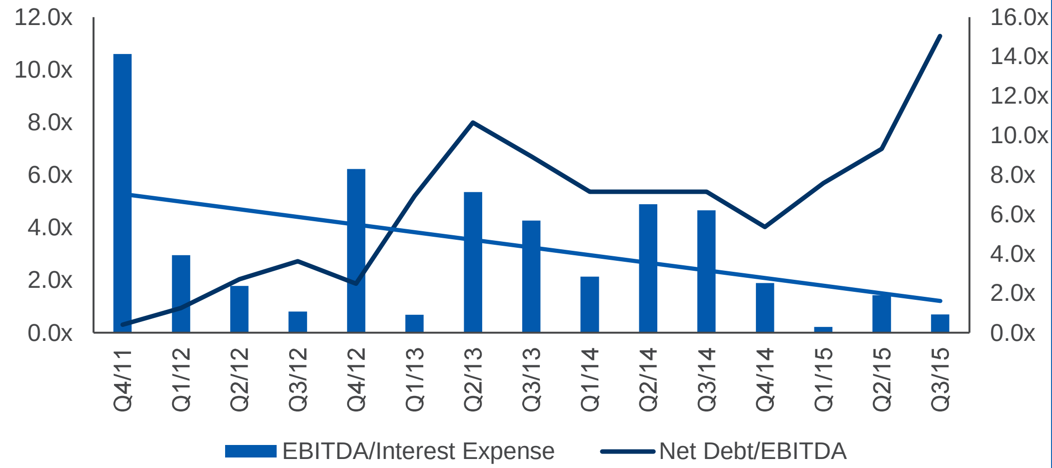
A recent example of this phenomenon can be observed through the analysis of MEG Energy (MEG-TSX). **Exhibit 4** shows that its leverage ratios have ballooned as they made the decision to lever the company when oil was above US$100/bbl, when its EBITDA/Interest Expense was 14.1x and Debt/EBITDA was at 1.2x. With oil now in the US$28/bbl-US$33/bbl range, its EBITDA/Interest is 0.9x and Debt/EBITDA is at 11.3x. It is arguable that this high torque of oil prices towards cash flows and covenants is a tremendous active bet on the price of oil increasing in the short term.

1 Source: Bloomberg

Industry Review & Emerging Themes

Exhibit 4

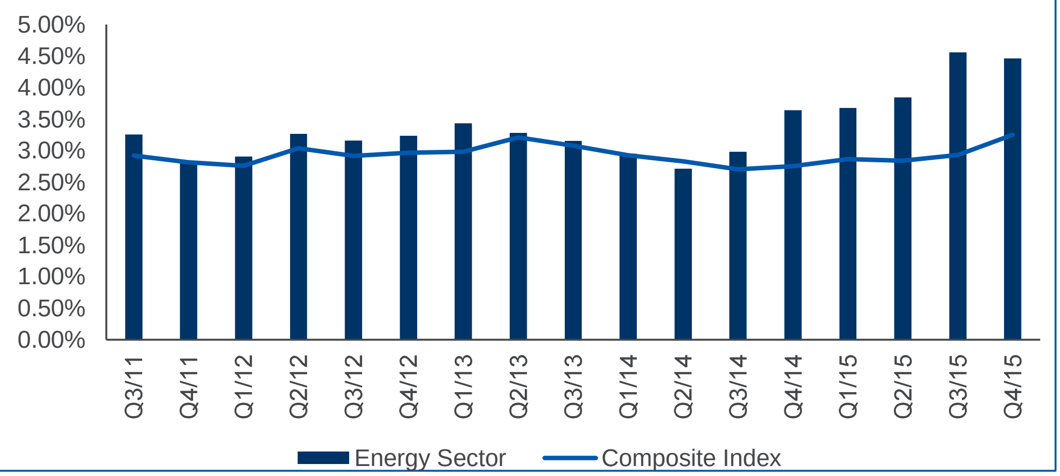
Leverage Ratios for MEG Energy[1]



The energy sector has typically been seen to provide a strong dividend yield, in line with that of the average of the S&P/TSX Composite Index, however the drop in prices has created a disparity between the dividends in the energy sector, as demonstrated in **Exhibit 5**.

Exhibit 5

Dividend Yield for Energy Sector vs. Index[1]



At first glance, this presents an opportunity to generate higher income through investing in energy companies; however, companies have been funding and maintaining their high yield through the use of debt. Due to belief that low prices will persist for the next while, even larger, more stable integrated energy companies, such as Cenovus (CVE-TSX) have been forced to cut their dividends by substantial amounts in order to protect their balance sheet. As one of the investment criteria for companies in the fund is a strong balance sheet, this must be kept in mind when searching for potential pitches.

1 Source: Bloomberg

Industry Review & Emerging Themes

M&A activity

Further impacts from the downturn is the accessibility to capital markets for smaller upstream energy companies. As a group, their debt ratios have caused the capital markets to become more tentative and careful for raising capital through debt and equity issuances. This presents itself as an opportunity for the stronger and more financially secure energy companies who should be able to make asset or company acquisitions due to depressed share prices. A recent example is that of Suncor Energy acquiring Canadian Oil Sands (**Exhibit 7)**.

Buyer	Suncor Energy (SU-TSX)
Seller	Canadian Oil Sands (COS-TSX)
Date	January 18th, 2016
Offer	COS board supported offer of 0.28 SU shares per COS share. The transaction was valued at $6.6 billion at the time of the agreement.
Financial	19% net debt to capitalization on a pro-forma basis as at September 30, 2015. Suncor to issue ~136 million shares.
Operating	Suncor would increase its working interest in Syncrude (350 mbpd) from 12% to 48.74%. 20% increase in 2P (proven and probable reserves)

Excerpt from the Globe and Mail
Title: Suncor reaches $4.2-billion deal with Canadian Oil Sands
Author: Jeff Lewis
Date Published: January 18th, 2016

"Suncor Energy Inc. reached a deal to acquire rival Canadian Oil Sands Ltd. with a richer offer, putting it on track to hold the largest stake in one of the industry's most troubled operations.

Suncor on Monday said the two companies agreed to a revised $4.2-billion deal equivalent to 0.28 of one of its shares for each Canadian Oil Sands share, ending a public feud between the partners in the Syncrude Canada Ltd. mining and upgrading project. Suncor also lowered the threshold of support needed for the deal to go through to 51 per cent from 66.7 per cent previously.

The détente inches Suncor closer to securing an additional 37-per-cent interest in Syncrude, a project with a history of mechanical breakdowns and missed production targets that ranks as one of the sector's most expensive to operate. Suncor currently owns 12 per cent of the venture.

Industry Review & Emerging Themes

For months, chief executive officer Steve Williams has insisted the company can leverage its financial heft and deep experience running complex mining projects to boost reliability and wring cost savings from the aging Syncrude plant.
But those efforts now face headwinds from crude prices that have slumped to below $30 (U.S.) a barrel, as well as a management structure led by Imperial Oil Ltd. that analysts say has hampered attempts to improve the asset's performance to date.

"The accretion from this offer for Suncor shareholders is directly contingent on Suncor and Imperial being able to improve the reliability of operations – no question about it," said Nick Lupick, an analyst at AltaCorp Capital Inc. in Calgary.

Suncor extended an olive branch early last week to the target's board after its previous offer of one-quarter of one of its shares for each Canadian Oil Sands share failed to garner the necessary support, said a person familiar with the negotiations.

It now stands poised to acquire a bigger chunk of Syncrude just as the industry reels from U.S. crude prices that have buckled to their lowest level in more than a decade."

Business Model & Strategic Direction

Corporate Strategy

Suncor's goal is to generate profitable growth from its asset base through capital discipline and operational excellence. The company considers its integration, conservative balance sheet, and long-cycle resource base a strategic advantage which should be able to generate advantaged returns. The company is targeting a ROCE of 15% by 2017 under a normalized oil price environment, which would place it well above average in the global integrated peer group. In addition to profitable growth the company is committed to a meaningful dividend that is competitive, and sustainably growing.

Asset Overview

Suncor has three main business segments: oil sands, E&P and downstream businesses. While the downstream segment has demonstrated significant profitability in recent years, the upstream segments is expected to account for the majority of the company's growth, and more specifically its oil sands segment.

Oil Sands

SU's oil sands segment consists of both mining and in situ production. The segment currently accounts for 83% of corporate production and is expected to account for the majority of the company's growth, growing to 87% of corporate production by 2020. Near-term growth will be driven by debottlenecking the company's current mining and in-situ operations, medium term growth will come from the company's Fort Hills project, and longer term growth will be driven by its in-situ projects.

Mining

Suncor's mining assets are the foundation of the company. Producing since 1967, SU produces 275 mbpd of mined bitumen, roughly 40% of the company's production. The majority of this is produced at the company's base mine, with 30 mbpd of non-operated production from its Syncrude interest. In-line with a focus on boosting profitability the near-term focus will be on boosting utilization through reliability and debottlenecking initiatives. In the medium term, Fort Hills is expected to add an additional 73 mbpd of productive capacity by 2017. The company's remaining emerging projects, Joslyn and Voyageur, remain in the concept phase and are not currently economically viable.

Business Model & Strategic Direction

Base Mining

SU's largest and best known asset is its base mine operations, made up by the North Steepbank and Millennium mining complexes, located north of Fort McMurray. The base mine is theoretically capable of producing 330 mbpd but typically produces well below that, averaging 275 mbpd over the past four years. The company hopes that reliability and debottlenecking initiatives will take production to 300 mbpd in the near term and ultimately sees potential beyond that. The construction of hot blending facilities at Firebag should reduce constraints at the mine, allowing it to run at higher rates when capable. In the long-run, redevelopment of the company's Voyageur project could be used to extend the mine life, currently predicted to be 15 years.

Production from the mine feeds the company's two adjacent upgraders which has nameplate capacity of 320 mbpd of bitumen or 350 mbpd of upgraded synthetic crude oil. Similar to the mine, Suncor's upgrading facilities have run well below capacity averaging utilization rates of 81% since 2011, and are also the focus of a reliability initiative which aims to bring utilization into the 90% range. To that end there has been some improvement in 2014 with utilization averaging 87% as the facilities have been modified to run at higher rates during periods of higher ore grade. The company supplements mining production as needed from the nearby in-situ projects (Firebag and MacKay River).

Syncrude

Syncrude is the oldest producing asset in the oil sands with operations dating back to 1978. The asset consists of two mines, Mildred Lake and Aurora North, with combined productive capacity of 350 mbpd of upgraded SCO. The Syncrude property has 4.5 billion barrels (gross) of 2P reserves, translating into a 40 year reserve life, and an additional 5.1 billion barrels of contingent resources. Suncor acquired its 12% interest in Syncrude with its acquisition of Petro Canada in 2009. Six other entities own varying interests in the Joint Venture, which manages the asset through a consortium, which operates the asset through and agreement with Imperial/Exxon. All parties share in the production and capital costs proportionate to their interest. Decisions that relate to sustaining operations or minor capital projects require a 51% majority and the support of at least three owners. Major capital projects, require unanimous approval.

Business Model & Strategic Direction

Syncrude's productive capacity is 350 mbpd of upgraded synthetic crude oil, but has produced well below that in recent memory averaging just 79% utilization since 2011. In an effort to address reliability issues, IMO/XOM assumed operatorship in late 2006, under a 10 year management services agreement to provide operational support and implement XOM's Global Reliability Program. In return for the services Syncrude pays a management fee of $47 million annually in addition to the costs associated with managing the facility. The hope was that the process would partially close the gap between current utilization rates and XOM's historical global downstream reliability of 97%. The original target of 90% reliability within 3-5 has been abandoned, although the partnership remains hopeful it will achieve this.

Fort Hills

Next mining project in its production pipeline and is anticipated to account for a significant portion of the segment's production growth. Suncor operates the development with a 50.8% interest. The first phase has planned gross productive capacity of 180 mbpd and is expected to be on-stream by late 2017, currently 96% of its engineering is complete and 51% of construction. Similar to Imperial's Kearl project, the mine will utilize froth treatment and produce pipeable bitumen, eliminating the need to build a costly upgrader. Total capital costs are expected to be $12.8 billion implying capital efficiencies of $72,000/bpd, less than IMO's Kearl project which, after significant cost overruns and scope changes, was delivered at $109,000 /bpd. Forward economics require a WTI price of $60/bbl to justify investment in the project.

In Situ

Suncor's two main in situ assets, Firebag and Mackay River, have driven much of its growth over the last 10 years, growing from zero production 10 years ago to 200 mbpd today. Consistent with the company's shift in focus from growth to returns, production growth from the segment is expected to moderate. Near term growth will be driven by debottlenecking initiatives at both Firebag and Mackay River. Mid to longer term growth will be driven by consist of small, replicable, standardized facilities across the Firebag and and Mackay River lands. The first of these is expected to be the recently deferred Mackay River Extension which we now expect on-stream in 2020. In aggregate in situ production is on pace to grow to 216 mbpd by 2017, and 256 mbpd by 2020.

Business Model & Strategic Direction

Firebag

Largest in situ producing asset, located 100 kilometers of Fort McMurray. Total productive capacity of 203 mbpd, made up of four successive phases developed over the last 10 years. Recent improvements in well performance, has allowed Suncor to decide to take more time to isolate critical bottlenecks, with a notional revised timeline of 2020. Further expansions are probable towards the end of the decade at Lewis and Meadow Creek, depending on the economic environment. Forward sustaining capital requirement are divided between sub-surface (alignment of well pad development timing with increased nameplate capacity) and surface (facility investment planned near 2020 to maintain production capacity at increasing steam-oil ratios (SOR)).

Key Definition

SOR is a metric used to quantify the efficiency of oil recovery processes based on types of steam injection. Measures volume of steam to produce one unit volume of oil. The lower the ratio, the higher the efficiency of steam use. The ratio explains how well a certain steam process works compared with others. If a steam-value ratio for cyclic stimulation, for example, would produce values of 3-8; the steam-value ratio for steam-assisted gravity drainage (SAGD) on the other hand produces values in the 2-5 range. Therefore, steam-assisted gravity drainage is a more efficient process that would have lower related fuel costs for the steam generation.

Mackay

Mackay River was acquired alongside Petro-Canada in 2009 and is SU’s other producing in situ asset. The asset is located 50 km Northwest of Fort McMurray and with current productive capacity of 30 mbpd. The company is currently adding waterhandling facilities which will allow excess steam to be deployed and is expected to take total capacity to 38 mbpd by the end of the year. Construction on the second phase, the Mackay River Expansion, was deferred with revised 2015 guidance could add 20 mbpd. The expansion will meet economic hurdle rates at a WTI price down to $75/bbl and currently forecast first production in 2020.

Business Model & Strategic Direction

Atlantic Canada

Suncor is the largest stakeholder in Atlantic Canada through assets acquired in the Petro-Canada takeover in 2009. The company has an interest in every producing field: Terra Nova (37.7%, SU operated) Hibernia (20%, XOM operated), White Rose (27.5%, HSE operated), and Hebron (22.7%, XOM operated). In aggregate we expect Atlantic Canada to produce 54 mbpd in 2015, with near term growth being driven by an extension at Hibernia, expected to come on stream later this year. Beyond that we expect production to decline until slightly until Hebron fully ramps up in 2018. The company and its partners have chosen to delay investment in the Whit Rose extension, which could add 5-10 mboepd of production net to Suncor, as they explore development through subsea tie-backs which could improve economics substantially.

North Sea

SU's North Sea position was established through its acquisition of Petro-Canada in 2009. There are two main assets in the portfolio, Buzzard (29.9%) and Golden Eagle (26.7%), both of which are operated by Nexen. The Buzzard development, capable of producing 70 mbpd (net), has recently entered decline which will likely be moderated by field extensions over the coming years. However, this will be offset by the growth coming from the Golden Eagle development which first produced oil in late 2014 and is expected to ramp-up to peak productive capacity of 19 mbpd (net) over the coming year. Suncor will continue to appraise its discoveries Beta and Butch over the coming year with a 2-3 well program. We would not expect either of these to add to the company's production profile until later this decade. Additionally, the company has 15 exploration licenses which it will opportunistically pursue.

MENA

Like the rest of its upstream assets outside of Western Canada, Suncor acquired its interests in Syria and Libya through the 2009 merger with Petro-Canada. The assets represented a significant proportion of the company's production 5 years ago, producing as much as 50 of low margin production. Current production is next to nothing as the situation in the country continues to deteriorate. For now, major infrastructure remains in good condition which could ease a return to previous production levels, assuming a return to normal conditions. We do not factor any rise in future production in Libya.

Business Model & Strategic Direction

Refining

Suncor's downstream profitability has led the peer group in recent years with significant exposure to discounted inland crude prices. The company has three Canadian refineries located in Edmonton, Sarnia, Montreal, and, one refinery in Commerce City, Colorado, all with access to discounted in-land crude. Cumulatively, the company has downstream refining capacity of 462 mbpd, including 55 mbpd of heavy refining capacity. Similar to other refiners, given stagnant product demand the focus is on maximizing profitability mainly through reliability.

Montreal

SU's Montreal refinery is currently the only one not entirely supplied by inland crude. The 137 mbpd refinery has historically been supplied by tidewater crude, but in 2014 commissioned 30 – 40 mbpd of rail offloading capacity. Additionally, with the expected reversal of Enbridge's Line 9B in the second quarter, the refinery should be completely supplied by inland crude. Importantly, crude purchase contracts are mainly on a spot basis, providing significant flexibility going forward. Based on current crude differentials this is expected to boost profitability by $5/bbl. The facility produces gasoline, distillates, asphalts, heavy fuel oil, petrochemicals and solvents. Some of the products are used as feedstock for the company's petrochemicals plant located adjacent to the Montreal refinery and its lubricants facility in Mississauga, Ontario.

Suncor continues to evaluate various measures to enhance profitability, in the context of the macro environment and a new supply of crude. One option is to increase hydrotreating or desulphurization capacity to process sour oil sand crudes from Western Canada. A more major project would be to build a Coker at the facility and increase Suncor's heavy oil integration, however with a more moderate view of heavy oil differentials going forward we do not see this as likely.

Retail

Suncor's Canadian retail service stations operate primarily under the Petro-Canada brand consisting of 1,484 outlets across Canada and an estimated 18% of the national retail market. Over 500mbpd in product sales. Suncor's US retail network consists of 44 owned outlets and product supply agreements with a larger network of Shell-branded sites and Phillips 66-branded sites in Colorado.

Thesis Development & Catalysts

Sustainable Refining & Marketing Operations

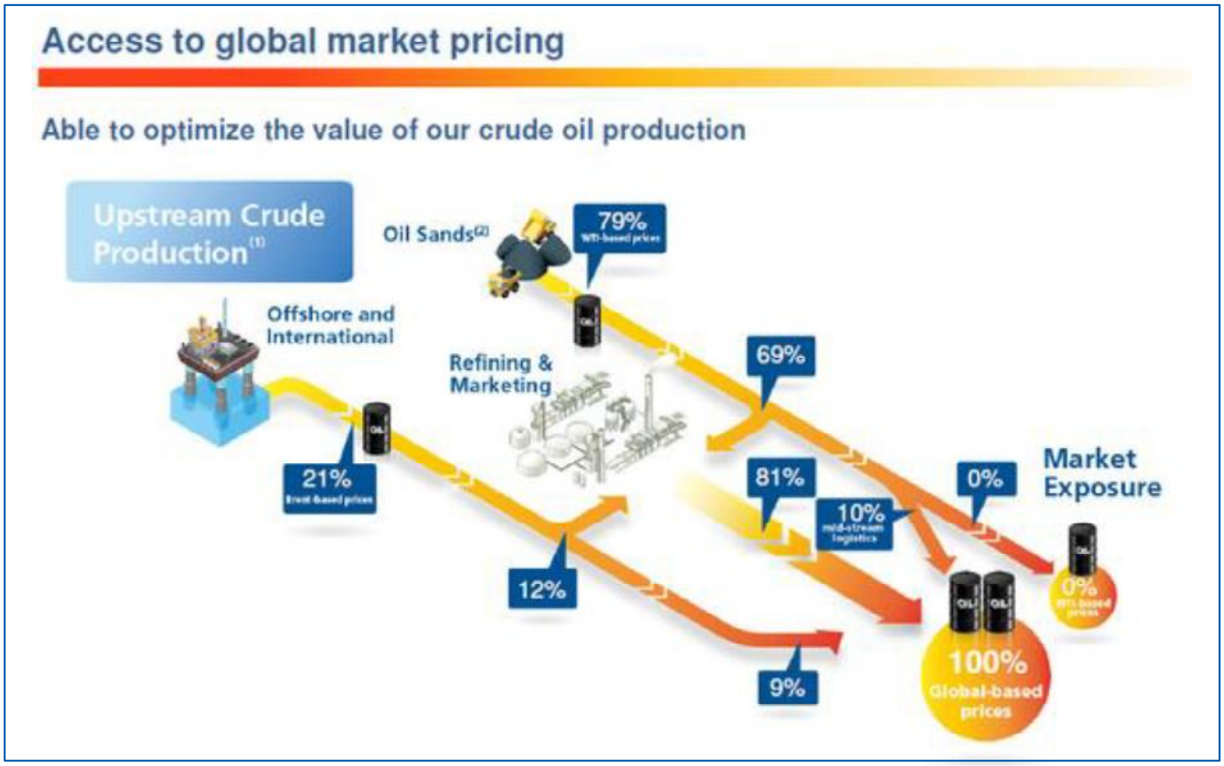
Suncor's refining & marketing operations have a stable record of operational proficiency and industry-leading profitability. The integrated network (upstream, downstream, and retail) allows for the company to be a price setter as opposed to being a price taker. The exploration and production assets are some of the lowest cost producing assets in Canada and are able to get Brent pricing due to the refining & marketing operations. Their current model give the company access to capture global pricing for over 95% and close to 100% of upstream production. Current contracts with midstream operators have fixed shipping rights and allow for operational flexibility depending on the market conditions.

In a letter to shareholders, CEO Steve Williams provided the following quote:

"We moved an average of over 45,000 barrels per day of lower cost inland crude to the Montreal refinery rail from the mid-continent and by ship from the US Gulf Coast. For these shipments, we realized an average benefit of over seven dollars per barrel versus the internationally sourced barrels they replaced."

The following diagram demonstrates how Suncor is able to benefit from their integrated network towards capturing global pricing (**Exhibit 6)**.

Exhibit 6[1]



1 Source: Company Fillings

Thesis Development & Catalysts

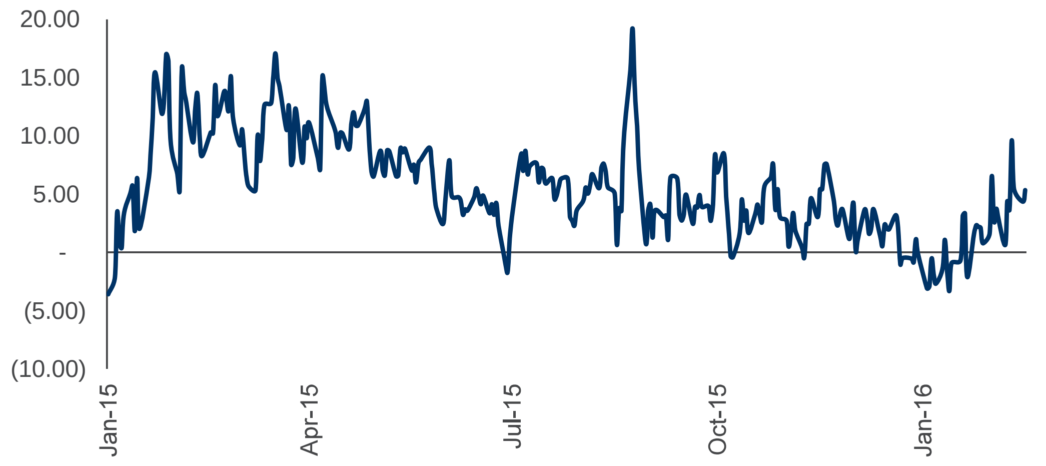
As the majority of Suncor's revenue is generated through their downstream operations (greater than 60% of revenue since 2011) because of refining their own production results in Suncor being a more defensive play on the pricing of oil. Since the fund does not believe that oil has many strong catalysts in the short and medium term, we view Suncor's defensive attributes as a positive in the current environment. Although the company has exposure to oil pricing, its refining & marketing operations are also variant to the spread between WTI-WSC and WTI-Brent. Both spreads are observable in **Exhibits 7 & 8.**

Exhibit 7

WTI-WCS Spread ($C/bbl)[1]

Exhibit 8

WTI-Brent Spread (C$/bbl)[1]



1 Source: Bloomberg

Thesis Development & Catalysts

Strong Reserves – Only bolstered by the acquisition of COS

The acquisition of COS reinforced the already strong reserve of Suncor. Its estimated gross reserve now sits at 7.5 billion boe, with another 23.8 billion boe in contingent resources (60% In Situ and 22% Mining). The Company also acquired an additional 10% of interest in the Fort Hills oil sands project from Total E&P Canada Ltd. for approximately $360 million which brings Suncor's ownership in this working project to 50.8%. Management also shows that the Fort Hills project remain within construction schedule. Once complete, it is forecasted to deliver ~91,000 bbls/d of bitumen to Suncor, with the first load expected to arrive in Q4 2017.

Due to the recent performance of the Canadian economy, the company reduced its financial projections (capital guidance) to a range of $6.0 to $6.5 billion from $6.7 to $7.3 billion. Indeed, management now expects a CAD/USD FX rate of $0.7, lowered from $0.75 and argue that this reduction should not impact short term production targets. Management also said that although they reduced their working interest in the E&P Hebron project by 1.7%, the project will continue with first oil also expected to come in late 2017.

In other news, the New Alberta climate plan gives a clearer picture on future greenhouse gas costs for Suncor. This implies that only the most profitable or efficient projects will be invested in, thus allowing the company to only focus on the platforms that will bring the most value-added. Drilling offshore Nova Scotia commenced in Q4 and will continue throughout 2016, until further notice.

Exhibit 9[1]

1 Source: Company Fillings

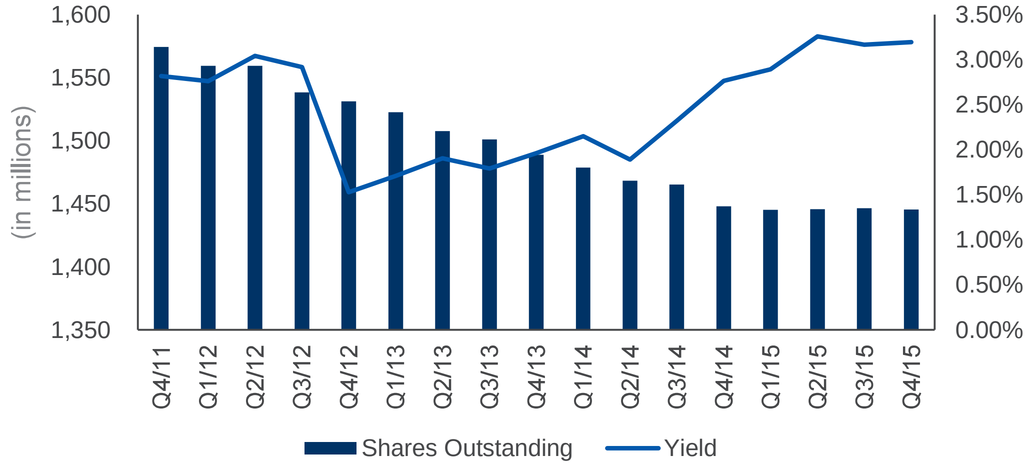
Thesis Development & Catalysts

Best Managed Integrated Energy Company in Canada

Suncor, led by Steve Williams, the CEO and former Exxon Mobil executive, is known for having one of, if not the strongest management team in the Canadian energy space. In a high oil pricing environment, it is easy to consider management strong as the majority of capital decisions are made towards growing production; however, with prices where they currently are, the aforementioned strong management team are held in worse standing as their decisions have probably left the company in a difficult financial situation. Instead of using free cash flows to make unwise asset purchases, Suncor's management team chose to use excess cash flows to buy-back stock and increase their dividend (**Exhibit 10).**

Exhibit 10

Yield vs. Shares Outstanding[1]



The forward-looking management team has also positioned the company's balance sheet to weather the current economic environment.

Debt Metric	FY 2014	FY 2015
Current Ratio	1.666x	1.461x
CFO/CapEx	1.284x	1.033x
Available Line of Credit (C$m)	$4,275	$7,216
Net Debt/EBITDA	0.679x	1.489x
EBITDA/Interest Expense	15.604x	8.687x

1 Source: Bloomberg

Thesis Development & Catalysts

Williams, Steven W.	Chief Executive Officer and President
Background	

Mr. Steven W. Williams, known as Steve has been the President at Suncor Energy Inc. since December 1, 2011 and has been its Chief Executive Officer since May 1, 2012. Mr. Williams is responsible for Operational Excellence in Suncor Energy Inc. and ensuring that a commitment to safe and sustainable development continues to be a Suncor hallmark. He served as the Chief Operating Officer of Suncor Energy Inc. from March 5, 2007 to May 1, 2012. He served as the Chief Financial Officer and Executive Vice President of Corporate Development at Suncor Energy Inc. until May 30, 2003. He served as an Executive Vice President of Oil Sands at Suncor Energy Inc. He joined Suncor Energy Inc. in May 2002. He held various executive positions with Octel Corporation, a global chemicals company. Prior to joining Octel Corporation in 1995, he held executive positions with Esso Petroleum Company Limited, an affiliate of Exxon. He has been a Director at Suncor Energy Inc. since December 1, 2011.

Cowan, Alister	Chief Financial Officer and Executive Vice President
Background	

Mr. Alister Cowan has been Chief Financial Officer and Executive Vice President of Suncor Energy Inc since July 21, 2014. Mr. Cowan served as the Chief Financial Officer at Husky Energy Inc. since July 2008 until July 18, 2014, and its subsidiary Husky Oil Operations Limited since April 28, 2008. He served as a Vice President of Husky Energy Inc. since July 2008. Prior to this, he held executive positions in the energy and utilities sectors. He served as Executive Vice President, finance and Chief Financial Officer of BC Hydro until April 2008. He served as Vice President and Comptroller of TransAlta Corp., from 2000 to July 2003. He served as Executive Vice President and Chief Financial Officer of British Columbia Hydro & Power Authority from 2004 to 2008. He served as Vice President of Direct Energy Marketing Limited from 2003 to 2004. Mr. Cowan is a Chartered Accountant and holds a Bachelor of Arts degree in Accounting and Finance from Heriot-Watt University in Edinburgh, Scotland.

Reynish, Stephen David Lile	Executive Vice President of Strategy & Corporate Development
Background	

Mr. Stephen David Lile Reynish has been Executive Vice President of Strategy & Corporate Development at Suncor Energy Inc. since January 1, 2014. Mr. Reynish serves as the Executive Vice President of Strategy and Corporate Development and Interim Chief Financial Officer at PC Financial Partnership. He served as Interim Chief Financial Officer at Suncor Energy Inc. since December 9, 2013 until July 20, 2014. He served as an Executive Vice-President of Oil Sands Ventures at Suncor Energy Inc. since January 3, 2012 until January 1, 2014. Mr. Reynish served as Senior Vice President of Operations - Western Oil Sands of Shell Albian Sands Inc. from January 2006 to January 2012. He serves as Senior Vice President of Operations - Western Oil Sands at Shell Albian Sands Inc. He served as the Chief Operating Officer of Albian Sands Energy. Mr. Reynish was responsible for the start-up and successful ramping up to full production of Albian Sands Energy, the bitumen mining and extraction entity of the Athabasca Oil Sands Project. Mr. Reynish served as Senior Vice President of Operations at Marathon Oil Canada Corporation since May 11, 2005. Before joining Western Oil Sands Inc., he held senior positions within the Anglo American Group, including Vice President of Mining of Anglo Base Metals in Johannesburg and Chief Executive Officer of Bindura Nickel in Zimbabwe. Mr. Reynish is an International Mining Engineer with a proven track record in developing and managing large scale operations. He holds a Masters degree in Mining Engineering and an MBA, both earned in the UK. He has completed Post Graduate studies at IMD and the Wharton School.

Alberta Royalty Framework

Impact of Royalty Changes in Western Canada

The recent updates to the royalty system by the government of Alberta underlined several changes which seeks to optimize the value to Albertans from the use of their resources. Indeed, this new framework will (1) modernize the royalty system to increase net returns by encouraging producers to reduce costs, (2) increase the transparency of reporting through the timely release of project cost related information and (3) enhance existing value-adding processes to capitalize on opportunities to accelerate the development and commercialization of alternative value-creation technologies (**Exhibit 11**).

Exhibit 11[1]

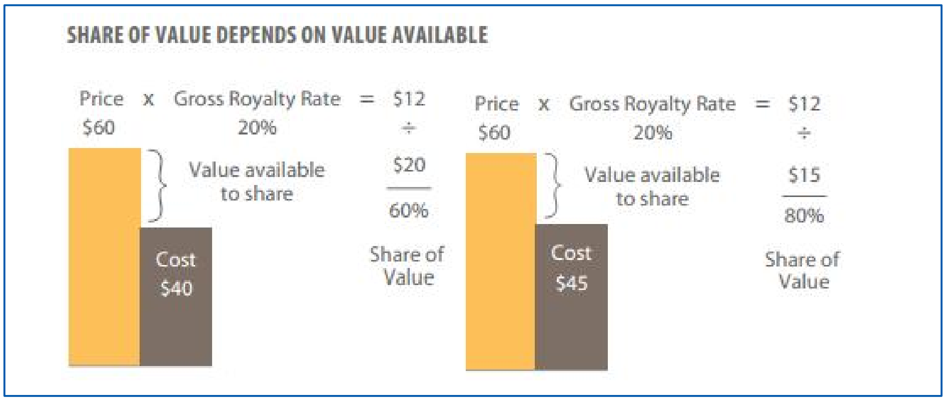
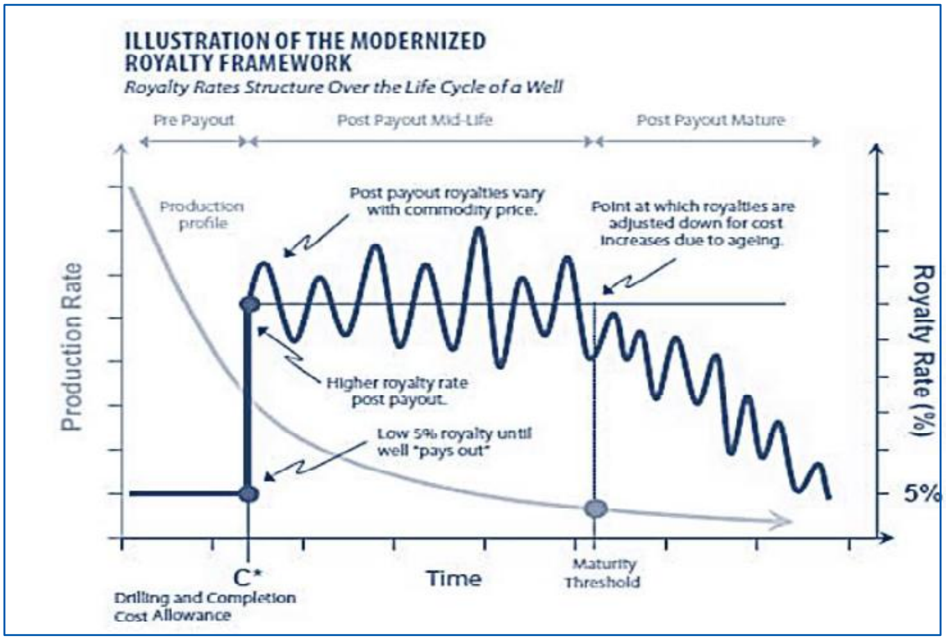


Exhibit 12[1]



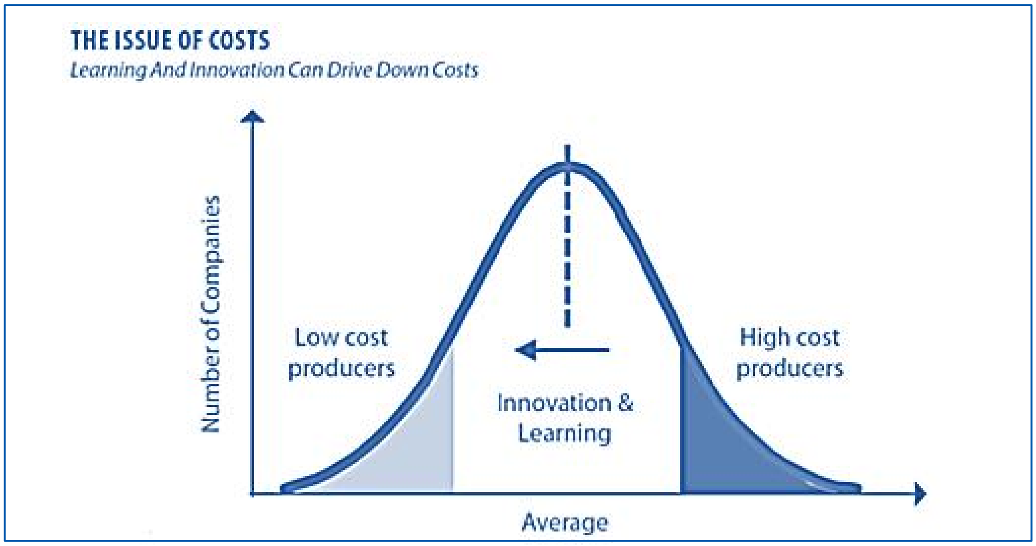
1 Source: Company Fillings

Albertan Royalty Framework

Exhibit 12 shows the modernized methodology, which computes royalty rates based on the average industry cost, C*, instead of company specific cost. Therefore, with the assumption that all companies actively innovate and contribute in reducing their operating expenditures, industry wide costs will decline and the royalty curve will shift towards the left.

While the government cannot control the fluctuations in commodities prices, they can add incentives for companies to be more innovative and efficient. In other words, this new system will reward the most efficient drillers. **Exhibit 13** further demonstrates that due to the negative correlation between cost and return, average industry costs can easily be lowered as a whole if high cost producers keeps innovating and learning.

Exhibit 13[1]



The fundamental changes in the energy industry caused by the resurgence of the U.S. as a producer and other global competitive forces continuously threatens Alberta's market share. Combined with the higher operating cost of bitumen and the downward pressure on the price of crude, the marginal return and value of Albertans are greatly reduced if the status quo remains unchallenged. Thus, the new royalty framework will seek to help by implementing royalty payments pegged to the level of production, with minimal rates in all stages of production. Existing wells will be unaffected for a period up to 10 years.

1 Source: Company Fillings

Risk Analysis and Assessment

Operational Risk Management

Suncor's management holds a proactive stance to assess and mitigate risk in which they constantly identify, assess and attempt to mitigate risks inherent to their operations. Management is on a constant quest for operational excellence through constant improvements in the company's key business processes. This rigorous enterprise risk management process engages all levels of the corporation and enables the company to quickly assess and evaluate risks in terms of likelihood and magnitude through a risk matrix tool.

To ensure the availability and preservation of capital, as well as to maintain enough liquidity to meet Suncor's cash flow requirements and deliver returns within acceptable risk parameters, the company hedges part of its risk by investing in short-term financial instruments whose weighted average time to maturity does not exceed 6 months. Management firmly believes that it has enough capital to finance its activities. It also believes that extra financing can be acquired from debt capital markets at commercial terms and rates.

However, due to the nature of the company's operations, its cash flows are still exposed to other risks, which include, but are not limited to (1) market gyrations and the fluctuations of commodity prices, production and sales volume, (2) refining and marketing margins, (3) operational and environmental risks, (4) income taxes, (5) regulatory restrictions and (6) FX. Also, the surge in popularity of advanced drilling techniques such as hydraulic fracturing will marginally increase the competition in the industry by allowing competitors to tap previously uneconomical deposits.

State of the economy

The price of crude oil is reflective its global demand and supply. Therefore, prices tend to be highly volatile in response to surges in demand or disruptions in supply. The positive correlation between the fluctuation of market prices and the profitability of the company implies that the company's profitability will not be optimal as long as supply exceeds demand on the international scale. Furthermore, North American Oil and Gas producers sometimes sell at a discount due to the inability to effectively transport the products to international markets. As such, continued reduced commodity prices will negatively impact the company's realized profits.

However, Suncor is expected to outperform competitors and generate additional profits through their low cost platform and as the Canadian economy recovers from the energy sector contractions. Management also uses derivatives contracts to hedge against exorbitant commodity price fluctuations.

Risk Analysis and Assessment

Refining and Marketing Margins

Margins are expected to rise as declining oil prices are expected to recover in the long-run. Furthermore, access to economies of scale enables the company to increase its profitability in the industry. However, if oil prices do not recover, costs will continue to remain high and profits will be stagnant.

Operational and Environmental Risks

The large capital requirements implies that the company is heavily invested into long-term assets and drilling facilities. Therefore, Suncor not only carries the risks of operational hazards such as fires, explosions, oil spills and operational outages, but also geological risks due to the less friendly environment of oceans. The company is also subject to additional risk through equipment failure due to inadequate maintenance, corrosion of facilities and engineering flaws, while its upstream business is exposed to operational risks caused by unexpected formations of hydrogen sulfide (H_2S), poor ore grade qualities, as well as pollution and any other environmental risks that may cause harm to the public or pose a threat to the company's operations.

Income Taxes

The company received a Notice of Reassessment from the Canada Revenue Agency in 2014 regarding the income tax treatment of realized losses in 2007. If management is unsuccessful in defending its tax filing, a potential amount of up to $1.2 billion could be imposed.

Regulations

Marginal projects or changes in existing projects may only happen after the company obtains several regulatory approvals, both at the provincial, state and federal levels. The approval process may delay or disrupt the execution of ongoing projects and core operations.

FX

Since crude oil is priced in U.S. dollars, fluctuations in FX may play a significant role in the company's revenues and profitability. The weakening of the Canadian loonie relative to the U.S. dollar implies a change in Suncor's revenues, capital expenditures and financial instruments. However, management partly hedges this risk through the issuance of U.S. dollar denominated long-term debt and by sourcing capital projects in U.S. dollar.

As of February 3rd 2016, Suncor's management's set its forward-looking CAD/USD exchange rate to 0.70.

Valuation

A key factor to take into consideration when valuing an oil & gas company is looking at the valuation through several lenses, more specifically through evaluating the performance of the company at several oil prices.

Prior to looking at Suncor's financial performance at different commodity prices, the first thing to look at are the production statistics.

Exhibit 14[1]

Production Statistics	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E
Natural Gas (MMcf/d)										
Western Canada Natural Gas Production - MMcf/d	433.66	357.35	289.90	191.70	16.73	7.00	6.65	6.32	6.00	-
Syria Natural Gas Production - MMcf/d	69.30	105.30	-	-	-	-	-	-	-	-
Total Company Natural Gas Production - MMcf/d	502.96	462.65	289.90	191.70	16.73	7.00	7.65	8.32	9.00	4.00
Oil & Liquids (Bbl/d)										
Western Canada Oil & Liquids Production - Bbl/d	6,187	5,123	5,576	5,285	797	2,433	2,312	2,196	2,086	-
Oil Sands Production - Bbl/d	282,979	304,722	324,845	360,341	391,043	435,000	419,200	483,444	517,248	569,396
North Sea Oil Production - Boe/d	55,525	42,761	47,973	55,822	47,180	64,500	59,955	53,580	46,427	40,166
Other North Sea Oil Production - Boe/d	-	3,797	-	-	-	-	-	-	-	-
East Coast Oil Production - Bbl/d	68,562	65,630	46,465	56,209	55,047	45,800	49,500	45,969	49,280	56,342
Libya Oil Production - Bbl/d	35,225	12,175	41,525	20,750	6,752	2,200	5,000	5,000	45,000	45,000
Syncrude Production - Bbl/d - 49% WI	35,206	34,606	34,388	32,027	30,971	31,678	110,895	139,884	143,296	145,002
Total Company Oil & Liquids Production - Bbl/d	483,684	468,815	500,771	530,435	531,789	581,611	646,861	730,074	803,337	855,906
Total Company Production - Boe/d	**567,510**	**545,923**	**549,088**	**562,385**	**534,578**	**582,778**	**648,136**	**731,460**	**804,837**	**856,572**
Total Company Production - MMcfe/d	**3,405**	**3,276**	**3,295**	**3,374**	**3,207**	**3,497**	**3,889**	**4,389**	**4,829**	**5,139**
Natural Gas %	15%	14%	9%	6%	1%	0%	0%	0%	0%	0%
Annual Growth Rate %	1%	-4%	1%	2%	-5%	9%	11%	13%	10%	6%
Annual Per Share Growth Rate %	2%	-4%	1%	2%	-5%	9%	10%	13%	10%	6%

Next step is to observe the netbacks per barrel at various WTI, natural gas, and exchange rates.

Exhibit 15[1]

US$40/Bbl, US$2.50/Mcf, 0.73 US$/C$	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E
Realized Oil Price - C$/Bbl	$81.88	$104.73	$92.98	$95.06	$97.42	$55.46	$51.94	$51.22	$50.98	$49.77
Realized Nat Gas Price - C$/mcf	$6.70	$3.60	$0.00	$0.00	$0.00	$0.00	$0.02	$0.08	$0.17	$0.67
Realized Price - C$/Boe	$79.33	$99.32	$89.91	$96.93	$100.49	$58.56	$54.71	$53.66	$53.19	$51.83
Realized Risk Management & Other - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01	$0.01
Royalties - C$/Boe	($9.15)	($11.40)	($11.52)	($9.77)	($8.48)	($1.45)	($1.63)	($1.55)	($3.23)	($2.98)
Net Revenue - C$/Boe	$70.18	$87.92	$78.39	$87.16	$92.01	$57.11	$53.08	$52.12	$49.97	$48.86
Transportation Expense - $/Boe	($2.31)	($2.47)	($2.58)	($2.97)	($3.23)	($3.42)	($3.42)	($3.48)	($3.32)	($3.35)
Purchased Product Cost - $/Boe	($7.10)	($9.87)	($3.26)	($5.01)	($4.17)	$0.00	$0.00	$0.00	$0.00	$0.00
Op Cost - C$/Boe	($25.17)	($30.21)	($30.70)	($31.73)	($33.82)	($27.30)	($30.40)	($30.85)	($29.24)	($27.98)
Operating Netback - C$/Boe	$35.59	$45.38	$41.85	$47.46	$50.79	$26.38	$19.26	$17.79	$17.41	$17.54
G&A - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Interest - $/Boe	$0.14	($2.36)	($0.33)	($5.66)	($7.32)	($6.59)	($2.73)	($2.43)	($2.20)	($2.07)
Other Cash Items Not Included In Above	($0.84)	($1.08)	$1.44	$0.94	$3.41	$3.88	($1.67)	($1.64)	($1.52)	($1.43)
PRT - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Taxes - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Current Income Tax - $/Boe	($4.14)	($4.83)	($5.75)	($8.64)	($9.41)	($2.50)	$1.43	$1.72	$2.06	$1.90
Upstream Cash Flow - $/Boe	$30.76	$37.11	$37.22	$34.10	$37.46	$21.18	$16.29	$15.45	$15.74	$15.94

1 Source: Company Fillings

Valuation

Exhibit 16[1]

US$50/Bbl, US$3.00/Mcf, 0.75 US$/C$	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E
Realized Oil Price - C$/Bbl	$81.88	$104.73	$92.98	$95.06	$97.42	$60.66	$63.22	$62.48	$62.20
Realized Nat Gas Price - C$/mcf	$6.70	$3.60	$0.00	$0.00	$0.00	$0.00	$0.02	$0.08	$0.17
Realized Price - C$/Boe	$79.33	$99.32	$89.91	$96.93	$100.49	$63.76	$65.98	$64.92	$64.40
Realized Risk Management & Other - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01
Royalties - C$/Boe	($9.15)	($11.40)	($11.52)	($9.77)	($8.48)	($2.03)	($2.60)	($2.67)	($4.61)
Net Revenue - C$/Boe	$70.18	$87.92	$78.39	$87.16	$92.01	$61.73	$63.39	$62.26	$59.80
Transportation Expense - $/Boe	($2.31)	($2.47)	($2.58)	($2.97)	($3.23)	($3.42)	($3.42)	($3.48)	($3.32)
Purchased Product Cost - $/Boe	($7.10)	($9.87)	($3.26)	($5.01)	($4.17)	$0.00	$0.00	$0.00	$0.00
Op Cost - C$/Boe	($25.17)	($30.21)	($30.70)	($31.73)	($33.82)	($27.51)	($30.86)	($31.33)	($29.69)
Operating Netback - C$/Boe	$35.59	$45.38	$41.85	$47.46	$50.79	$30.80	$29.11	$27.45	$26.78
G&A - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Interest - $/Boe	$0.14	($2.36)	($0.33)	($5.66)	($7.32)	($6.56)	($2.68)	($2.38)	($2.16)
Other Cash Items Not Included In Above	($0.84)	($1.08)	$1.44	$0.94	$3.41	$3.86	($2.00)	($1.97)	($1.84)
PRT - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Taxes - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Current Income Tax - $/Boe	($4.14)	($4.83)	($5.75)	($8.64)	($9.41)	($2.37)	($1.44)	($1.04)	($0.65)
Upstream Cash Flow - $/Boe	$30.76	$37.11	$37.22	$34.10	$37.46	$25.73	$23.00	$22.06	$22.13
Total Cash Flow - $/Boe		$50.03	$52.96	$46.85	$48.62	$39.01	$28.81	$26.68	$26.33

Exhibit 17[1]

US$60/Bbl, US$3.50/Mcf, 0.78 US$/C$	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E
Realized Oil Price - C$/Bbl	$81.88	$104.73	$92.98	$95.06	$97.42	$65.68	$73.77	$73.01	$72.69	$71.29
Realized Nat Gas Price - C$/mcf	$6.70	$3.60	$0.00	$0.00	$0.00	$0.00	$0.02	$0.08	$0.17	$0.67
Realized Price - C$/Boe	$79.33	$99.32	$89.91	$96.93	$100.49	$68.78	$76.53	$75.45	$74.88	$73.34
Realized Risk Management & Other - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01	$0.01
Royalties - C$/Boe	($9.15)	($11.40)	($11.52)	($9.77)	($8.48)	($2.55)	($3.53)	($3.69)	($5.87)	($5.55)
Net Revenue - C$/Boe	$70.18	$87.92	$78.39	$87.16	$92.01	$66.23	$73.01	$71.77	$69.03	$67.80
Transportation Expense - $/Boe	($2.31)	($2.47)	($2.58)	($2.97)	($3.23)	($3.42)	($3.42)	($3.48)	($3.32)	($3.35)
Purchased Product Cost - $/Boe	($7.10)	($9.87)	($3.26)	($5.01)	($4.17)	$0.00	$0.00	$0.00	$0.00	$0.00
Op Cost - C$/Boe	($25.17)	($30.21)	($30.70)	($31.73)	($33.82)	($27.70)	($31.29)	($31.78)	($30.12)	($28.88)
Operating Netback - C$/Boe	$35.59	$45.38	$41.85	$47.46	$50.79	$35.11	$38.30	$36.51	$35.58	$35.58
G&A - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Interest - $/Boe	$0.14	($2.36)	($0.33)	($5.66)	($7.32)	($6.54)	($2.63)	($2.34)	($2.12)	($1.99)
Other Cash Items Not Included In Above Components - $/Boe	($0.84)	($1.08)	$1.44	$0.94	$3.41	$3.84	($2.31)	($2.28)	($2.14)	($2.00)
PRT - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Taxes - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Current Income Tax - $/Boe	($4.14)	($4.83)	($5.75)	($8.64)	($9.41)	($2.22)	($4.12)	($3.63)	($3.19)	($3.27)
Upstream Cash Flow - $/Boe	$30.76	$37.11	$37.22	$34.10	$37.46	$30.18	$29.25	$28.27	$28.14	$28.31
Total Cash Flow - $/Boe		$50.03	$52.96	$46.85	$48.62	$43.47	$35.06	$32.89	$32.34	$32.26

Due to the combination of the change in the oil price and its inherent impact on the exchange rate, it noticeable that the total cash flow per boe does not move exactly in line with the price. The table below contains 2016 estimates.

Price of WTI (US$/bbl)	Total CF/boe (C$)
$40	$16.29
$50	$28.81
$60	$35.06

1 Source: Company Fillings

Valuation

Longer term, the price of US$60/bbl for WTI was believed to be reasonable and conservative and as a result **Exhibit 18** contains Suncor's earnings per boe.

Exhibit 18[1]

Earnings Per Boe										
Cash Flow- $/Boe (from above)	$30.76	$37.11	$37.22	$34.10	$37.46	$30.18	$29.25	$28.27	$28.14	$28.31
DD&A - $/Boe	($15.90)	($17.11)	($28.97)	($20.67)	($19.64)	($20.30)	($20.03)	($19.72)	($20.23)	($20.11)
Asset Retirement Obligation - $/Boe	($0.86)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Exploration Expense - $/Boe	($0.95)	($0.58)	($1.54)	($1.57)	($1.88)	($2.02)	($1.26)	($1.12)	($1.02)	($0.96)
Project Startup Costs - $/Boe	($0.37)	($0.82)	($0.28)	($0.07)	$0.00	$0.00	$0.00	$0.01	$0.01	$0.01
Unrealized Risk Management Expense - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Stock Based Compensation Expenses - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Foreign Exchange Gain (Losses) - $/Boe	$0.00	$0.00	$0.00	$0.00	$0.00	($1.90)	$0.00	$0.00	$0.00	$0.00
Other Non-Cash Items Not Included In Above	$0.68	$2.21	($2.15)	$3.90	$2.76	$1.88	($0.01)	($0.01)	($0.02)	($0.03)
Non-recurring Items (BT) - $/Boe	$0.56	($0.77)	$0.15	$0.23	($7.55)	$0.02	$0.00	$0.01	$0.01	$0.01
Future Income Tax - $/Boe	($2.68)	($5.98)	($1.46)	($1.11)	$1.30	$2.67	($0.46)	($0.31)	($0.28)	($0.29)
Upstream Net Income - $/Boe	$11.23	$14.07	$2.97	$14.81	$12.45	$10.52	$7.49	$7.12	$6.60	$6.94
Non-Recurring Items - $/Boe	($2.47)	$6.88	$10.48	$3.84	$9.85	$5.16	($0.00)	$0.00	$0.00	$0.00
Upstream Operating Income - $/Boe	$8.76	$20.94	$13.45	$18.65	$22.29	$15.68	$7.49	$7.12	$6.60	$6.94
Operating Income - $/Boe		$28.48	$24.40	$22.90	$23.68	$14.55	$6.60	$5.51	$5.47	$5.97

Exhibit 19[1]

	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E
Current Price (Average Price Historically)	$33.20	$36.22	$31.93	$33.67	$40.14	$33.00	$33.00	$33.00	$33.00	$33.00
Target Price	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00
Mkt Cap - C$mm	$51,872	$56,450	$48,635	$49,774	$57,655	$47,398	$51,133	$50,593	$49,718	$48,631
Net Debt - $mm	$11,027	$6,976	$6,632	$6,256	$7,834	$10,639	$16,319	$15,664	$14,105	$12,096
EV - $mm	$62,898	$63,426	$55,267	$56,030	$65,490	$58,037	$67,452	$66,258	$63,823	$60,727
DACF - $mm	$6,235	$10,134	$9,791	$10,194	$9,829	$7,628	$7,654	$9,738	$11,552	$12,540
EBITDA - $mm	$11,344	$12,364	$11,882	$12,712	$12,437	$9,348	$9,023	$12,008	$13,896	$14,775
EV / DACF	10.09x	6.26x	5.64x	5.50x	6.66x	7.61x	8.81x	6.80x	5.53x	4.84x
Target EV / DACF	11.79x	6.89x	6.99x	6.44x	6.75x	8.98x	10.31x	8.00x	6.56x	5.83x
P/CFPS	8.38x	5.87x	5.07x	5.38x	6.49x	6.62x	7.18x	5.52x	4.58x	4.17x
Target P / CFPS	10.09x	6.49x	6.35x	6.39x	6.47x	8.03x	8.71x	6.69x	5.55x	5.05x
P/EPS	23.64x	10.09x	10.11x	10.77x	12.73x	21.42x	36.92x	16.39x	12.44x	11.10x
Target P / EPS	28.47x	11.14x	12.66x	12.79x	12.69x	25.97x	44.76x	19.87x	15.08x	13.45x
EV / EBITDA	5.54x	5.13x	4.65x	4.41x	5.27x	6.21x	7.48x	5.52x	4.59x	4.11x
Target EV / EBITDA	6.48x	5.65x	5.76x	5.16x	5.33x	7.32x	8.74x	6.49x	5.46x	4.95x
Free Cash Flow - $mm	$2,561	$7,527	$2,854	$2,987	$2,200	$1,241	($4,220)	$2,461	$3,991	$4,958
Free Cash Flow Yield - %	5%	13%	6%	6%	4%	3%	-8%	5%	8%	10%
Target Free Cash Flow Yield - %	4%	12%	5%	5%	4%	2%	-7%	4%	6%	8%

1 Source: Company Fillings

Valuation

Looking at Suncor's top competition in the North American integrated space in **Exhibit 20,** Suncor is currently trading at a discount to its Canadian peers in terms of 2016 estimates of EV/EBITDA. we believe the market is penalizing Suncor far more than is warranted as it has a superior EBITDA margin and a lower Net Debt/EBITDA ratio.

Exhibit 20[1]

Name	Mkt Cap ($Cm)	Div Yield	EBITDA Margin	EV/EBITDA	Netback/BOE	Net Debt/EBITDA
IMPERIAL OIL LTD	37,371	1.25%	13.02%	15.51x		2.53x
CENOVUS ENERGY INC	13,714	5.18%	9.87%	13.82x	7.20	1.88x
HUSKY ENERGY INC	15,816	5.60%	22.35%	8.23x	15.92	1.91x
CHEVRON CORP	220,303	4.90%	16.19%	6.59x	73.05	1.57x
EXXON MOBIL CORP	457,597	3.55%	14.62%	9.89x		1.13x
Maximum	457,597	5.60%	22.35%	15.51x	73.05	2.53x
75th Percentile	220,303	5.18%	16.19%	13.82x	44.48	1.91x
Median	37,371	4.90%	14.62%	9.89x	15.92	1.88x
25th Percentile	15,816	3.55%	13.02%	8.23x	11.56	1.57x
Minimum	13,714	1.25%	9.87%	6.59x	7.20	1.13x
SUNCOR ENERGY INC	52,534	3.42%	32.86%	10.31x	40.11	1.49x

Based on where Suncor is trading relative to other Canadian players (Cenovus and Imperial), we are confident that the difference in the EV/EBITDA multiple based on 2016E will shrink and allow Suncor's share to trade at 12.1x 2016 EBITDA in the next year, giving the stock a C$40 price target resulting in 19% upside based on the current price of C$33.64.

1 Source: Bloomberg

Appendices

Appendix 1[1]

Cash Flow Statement						
For the Fiscal Period Ending	Restated 12 months Dec-31-2010	12 months Dec-31-2011	Restated 12 months Dec-31-2012	12 months Dec-31-2013	12 months Dec-31-2014	12 months Dec-31-2015
Net Income	**3,829.0**	**4,304.0**	**2,740.0**	**3,911.0**	**2,699.0**	**(1,995.0)**
Depreciation & Amort.	3,341.0	3,274.0	3,698.0	4,281.0	4,868.0	5,213.0
Amort. of Goodwill and Intangibles	197.0	151.0	177.0	186.0	195.0	203.0
Impair. of Oil, Gas & Mineral Prop.	262.0	100.0	258.0	155.0	835.0	2,152.0
Depreciation & Amort., Total	**3,800.0**	**3,525.0**	**4,133.0**	**4,622.0**	**5,898.0**	**7,568.0**
(Gain) Loss From Sale Of Assets	(975.0)	136.0	(44.0)	(137.0)	(90.0)	(110.0)
Asset Writedown & Restructuring Costs	189.0	503.0	2,341.0	444.0	428.0	131.0
Stock-Based Compensation	113.0	(102.0)	214.0	214.0	106.0	18.0
Provision & Write-off of Bad debts	-	64.0	67.0	-	-	-
Other Operating Activities	(300.0)	1,316.0	282.0	358.0	17.0	1,194.0
Change in Other Net Operating Assets	(1,170.0)	242.0	(874.0)	688.0	(122.0)	78.0
Cash from Ops.	**5,486.0**	**9,988.0**	**8,859.0**	**10,100.0**	**8,936.0**	**6,884.0**
Capital Expenditure	(6,010.0)	(6,850.0)	(6,957.0)	(6,777.0)	(6,961.0)	(6,667.0)
Sale of Property, Plant, and Equipment	3,088.0	3,074.0	67.0	-	224.0	277.0
Cash Acquisitions	-	-	-	(515.0)	(121.0)	-
Divestitures	-	-	-	943.0	-	-
Invest. in Marketable & Equity Securt.	3.0	(848.0)	(3.0)	(18.0)	(64.0)	(378.0)
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-	-	-
Other Investing Activities	(193.0)	26.0	249.0	(166.0)	59.0	(3.0)
Cash from Investing	**(3,112.0)**	**(4,598.0)**	**(6,644.0)**	**(6,533.0)**	**(6,863.0)**	**(6,771.0)**
Short Term Debt Issued	-	-	13.0	-	-	-
Long-Term Debt Issued	-	-	414.0	138.0	1,575.0	-
Total Debt Issued	**-**	**-**	**427.0**	**138.0**	**1,575.0**	**-**
Short Term Debt Repaid	(333.0)	(1,221.0)	-	-	-	-
Long-Term Debt Repaid	(924.0)	(504.0)	-	(312.0)	(533.0)	(258.0)
Total Debt Repaid	**(1,257.0)**	**(1,725.0)**	**-**	**(312.0)**	**(533.0)**	**(258.0)**
Issuance of Common Stock	81.0	213.0	189.0	112.0	247.0	95.0
Repurchase of Common Stock	-	(500.0)	(1,452.0)	(1,675.0)	(1,671.0)	(43.0)
Common Dividends Paid	(611.0)	(664.0)	(756.0)	(1,095.0)	(1,490.0)	(1,648.0)
Total Dividends Paid	**(611.0)**	**(664.0)**	**(756.0)**	**(1,095.0)**	**(1,490.0)**	**(1,648.0)**
Special Dividend Paid	-	-	-	-	-	-
Other Financing Activities	-	-	-	-	-	-
Cash from Financing	**(1,787.0)**	**(2,676.0)**	**(1,592.0)**	**(2,832.0)**	**(1,872.0)**	**(1,854.0)**
Foreign Exchange Rate Adj.	(15.0)	12.0	(19.0)	82.0	92.0	295.0
Net Change in Cash	**572.0**	**2,726.0**	**604.0**	**817.0**	**293.0**	**(1,446.0)**

1 Source: Company Fillings

Appendices

Appendix 2[1]

Balance Sheet						
Balance Sheet as of:	Restated Dec-31-2010	Dec-31-2011	Restated Dec-31-2012	Dec-31-2013	Dec-31-2014	Dec-31-2015
ASSETS						
Cash And Equivalents	1,077.0	3,803.0	4,385.0	5,202.0	5,495.0	4,049.0
Total Cash & ST Investments	**1,077.0**	**3,803.0**	**4,385.0**	**5,202.0**	**5,495.0**	**4,049.0**
Accounts Receivable	5,226.0	5,375.0	5,148.0	5,029.0	4,064.0	2,661.0
Other Receivables	734.0	704.0	799.0	294.0	680.0	538.0
Total Receivables	**5,960.0**	**6,079.0**	**5,947.0**	**5,323.0**	**4,744.0**	**3,199.0**
Inventory	3,141.0	4,205.0	3,697.0	3,944.0	3,466.0	3,090.0
Other Current Assets	789.0	37.0	53.0	225.0	211.0	90.0
Total Current Assets	**10,967.0**	**14,124.0**	**14,082.0**	**14,694.0**	**13,916.0**	**10,428.0**
Gross Property, Plant & Equipment	63,659.0	69,986.0	77,652.0	82,321.0	87,070.0	95,393.0
Accumulated Depreciation	(9,740.0)	(12,843.0)	(18,934.0)	(22,279.0)	(25,022.0)	(32,561.0)
Net Property, Plant & Equipment	**53,919.0**	**57,143.0**	**58,718.0**	**60,042.0**	**62,048.0**	**62,832.0**
Long-term Investments	135.0	228.0	309.0	325.0	447.0	211.0
Goodwill	3,201.0	2,926.0	2,900.0	2,900.0	2,900.0	2,900.0
Other Intangibles	221.0	213.0	204.0	192.0	183.0	179.0
Deferred Tax Assets, LT	69.0	60.0	78.0	65.0	26.0	35.0
Other Long-Term Assets	95.0	83.0	110.0	97.0	151.0	942.0
Total Assets	**68,607.0**	**74,777.0**	**76,401.0**	**78,315.0**	**79,671.0**	**77,527.0**
LIABILITIES						
Accounts Payable	6,101.0	7,363.0	6,258.0	6,233.0	5,247.0	4,846.0
Accrued Exp.	-	-	367.0	1,003.0	642.0	692.0
Short-term Borrowings	1,984.0	763.0	775.0	798.0	806.0	747.0
Curr. Port. of LT Debt	508.0	-	299.0	440.0	13.0	13.0
Curr. Port. of Cap. Leases	10.0	12.0	12.0	17.0	21.0	57.0
Curr. Income Taxes Payable	929.0	969.0	1,165.0	1,263.0	1,058.0	244.0
Other Current Liabilities	1,536.0	1,203.0	677.0	852.0	567.0	537.0
Total Current Liabilities	**11,068.0**	**10,310.0**	**9,553.0**	**10,606.0**	**8,354.0**	**7,136.0**
Long-Term Debt	9,362.0	9,540.0	9,056.0	9,149.0	11,456.0	13,275.0
Capital Leases	467.0	464.0	882.0	1,054.0	1,033.0	1,211.0
Unearned Revenue, Non-Current	94.0	84.0	77.0	72.0	66.0	60.0
Pension & Other Post-Retire. Benefits	1,275.0	1,683.0	1,645.0	926.0	1,222.0	1,026.0
Def. Tax Liability, Non-Curr.	7,911.0	9,719.0	10,444.0	10,784.0	10,543.0	9,954.0
Other Non-Current Liabilities	3,238.0	4,377.0	5,529.0	4,544.0	5,394.0	5,826.0
Total Liabilities	**33,415.0**	**36,177.0**	**37,186.0**	**37,135.0**	**38,068.0**	**38,488.0**
Common Stock	20,188.0	20,303.0	19,945.0	19,395.0	19,311.0	19,466.0
Additional Paid In Capital	507.0	545.0	579.0	598.0	609.0	633.0
Retained Earnings	14,934.0	17,945.0	18,901.0	21,072.0	21,179.0	17,675.0
Treasury Stock	-	-	-	-	-	-
Comprehensive Inc. and Other	(437.0)	(193.0)	(210.0)	115.0	504.0	1,265.0
Total Common Equity	**35,192.0**	**38,600.0**	**39,215.0**	**41,180.0**	**41,603.0**	**39,039.0**
Total Equity	**35,192.0**	**38,600.0**	**39,215.0**	**41,180.0**	**41,603.0**	**39,039.0**
Total Liabilities And Equity	**68,607.0**	**74,777.0**	**76,401.0**	**78,315.0**	**79,671.0**	**77,527.0**

1 Source: Company Fillings

Appendices

Appendix 3[1]

Income Statement						
For the Fiscal Period Ending	12 months Dec-31-2010	12 months Dec-31-2011	12 months Dec-31-2012	12 months Dec-31-2013	12 months Dec-31-2014	12 months Dec-31-2015
Revenue	32,003.0	38,339.0	38,107.0	39,593.0	39,862.0	29,208.0
Other Revenue	-	-	-	-	-	-
Total Revenue	**32,003.0**	**38,339.0**	**38,107.0**	**39,593.0**	**39,862.0**	**29,208.0**
Cost Of Goods Sold	15,538.0	18,480.0	17,745.0	18,205.0	18,574.0	12,632.0
Gross Profit	**16,465.0**	**19,859.0**	**20,362.0**	**21,388.0**	**21,288.0**	**16,576.0**
Selling General & Admin Exp.	7,984.0	8,424.0	8,976.0	9,530.0	9,596.0	8,659.0
Exploration/Drilling Costs	218.0	116.0	309.0	322.0	367.0	478.0
Pre-Opening Costs	77.0	163.0	60.0	-	-	-
R & D Exp.	-	-	-	-	-	-
Depreciation & Amort.	3,352.0	3,382.0	3,847.0	4,293.0	4,877.0	5,217.0
Impair. of Oil, Gas & Mineral Prop.	262.0	570.0	258.0	155.0	835.0	2,152.0
Other Operating Expense/(Income)	(326.0)	(174.0)	(159.0)	(412.0)	(256.0)	(170.0)
Other Operating Exp., Total	**11,567.0**	**12,481.0**	**13,291.0**	**13,888.0**	**15,419.0**	**16,336.0**
Operating Income	**4,898.0**	**7,378.0**	**7,071.0**	**7,500.0**	**5,869.0**	**240.0**
Interest Expense	(403.0)	(102.0)	(53.0)	(306.0)	(308.0)	(423.0)
Interest and Invest. Income	44.0	141.0	91.0	85.0	90.0	62.0
Net Interest Exp.	**(359.0)**	**39.0**	**38.0**	**(221.0)**	**(218.0)**	**(361.0)**
Currency Exchange Gains (Loss)	451.0	(212.0)	172.0	(596.0)	(868.0)	(1,885.0)
Other Non-Operating Inc. (Exp.)	-	-	-	-	145.0	-
EBT Excl. Unusual Items	**4,990.0**	**7,205.0**	**7,281.0**	**6,683.0**	**4,928.0**	**(2,006.0)**
Impairment of Goodwill	-	-	-	-	-	-
Gain (Loss) On Sale Of Assets	975.0	(136.0)	44.0	137.0	90.0	110.0
Asset Writedown	(189.0)	-	(2,341.0)	(444.0)	(428.0)	(131.0)
Other Unusual Items	-	-	-	-	-	-
EBT Incl. Unusual Items	**5,776.0**	**7,069.0**	**4,984.0**	**6,376.0**	**4,590.0**	**(2,027.0)**
Income Tax Expense	1,947.0	2,765.0	2,244.0	2,465.0	1,891.0	(32.0)
Earnings from Cont. Ops.	**3,829.0**	**4,304.0**	**2,740.0**	**3,911.0**	**2,699.0**	**(1,995.0)**
Earnings of Discontinued Ops.	-	-	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-	-	-
Net Income to Company	**3,829.0**	**4,304.0**	**2,740.0**	**3,911.0**	**2,699.0**	**(1,995.0)**

1 Source: Company Fillings