

Rating: Buy
 S&P 500: 1483

Suncor Energy Oil Sands Growth Stock

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	5,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	90.71	<i>Natural Gas and Oil Production/Ebitda (%)</i>	84
<i>Pricing Date</i>	7/26/07	<i>Adjusted Reserves/Production NTM</i>	23.8
<i>Shares (mm)</i>	472	<i>EV/Ebitda</i>	9.0
<i>Market Capitalization (US\$mm)</i>	42,800	<i>PV/Ebitda</i>	10.3
<i>Debt (US\$mm)</i>	4,400	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (US\$mm)</i>	47,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	41.70
<i>Present Value (PV) (US\$mm)</i>	53,900	<i>Present Value Proven Reserves(US\$/boe)</i>	18.29
<i>Net Present Value (US\$/share)</i>	105	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.05
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.61
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	16
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.38

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\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of SU since 2004 see www.mcdep.com/2su.htm

Summary and Recommendation

Buy-recommended **Suncor (SU)** offers unlevered appreciation potential of 14% to estimated net present value (NPV) of \$105 a share revised up from \$95 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. Second quarter results reported on July 26 reflected downstream gains that were overshadowed by lower oil sands volume necessary to accommodate capacity expansion work (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV for the large cap stock is concentrated practically entirely on oil sands considering that the natural gas segment acts as a fuel and feedstock hedge while the downstream segment takes the output of oil sands (see table [Functional Cash Flow and Present Value](#)). Chief Executive Rick George has positioned Suncor as a pure growth play on oil sands with reinvestment of all cash flow in a continuous expansion program. Regardless, the trend in long-term oil price appears to be up despite volatility of short-term quotes (see chart [Six-Year Commodity Price Meter](#)). Finally, SU stock also has positive momentum as it trades above its 200-day average.

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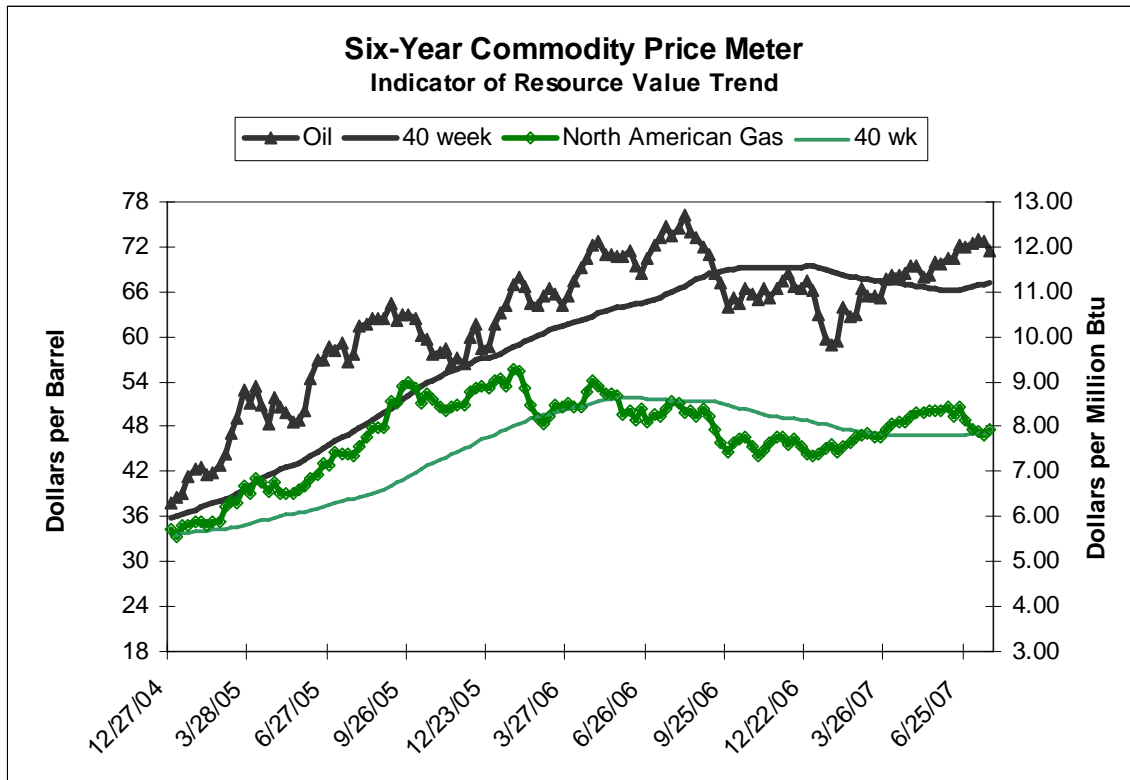
Suncor
Next Twelve Months Operations
 (Canadian Dollars)

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>6/30/06</i>	<i>9/30/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>6/30/08</i>
Volume									
Natural Gas (mmcf)	189	191	192	191	191	191	191	191	191
Oil (mbd)	269	241	266	258	211	258	258	246	258
Total gas & oil (bcf)	164	150	653	156	133	160	160	609	634
Total gas & oil (mbd))	300	273	298	289	243	289	289	278	289
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.36	7.22	6.99	7.49
Currency (US\$/C\$)	0.89	0.89	0.88	0.85	0.91	0.96	0.96	0.92	0.96
Henry Hub (C\$/mmbtu)	7.63	7.38	8.20	7.97	8.29	6.63	7.52	7.60	7.80
U.S. (or North America)	6.22	6.13	6.88	7.14	6.83	5.46	6.19	6.40	6.41
Oil (\$/bbl)									
WTI Cushing	70.47	70.42	66.05	58.08	64.91	74.48	74.58	68.01	74.07
WTI Cushing (C\$/bbl)	79.00	78.95	74.77	68.01	71.25	77.57	77.68	73.63	77.15
Company	75.19	71.86	68.11	65.50	70.73	77.01	77.12	72.72	76.59
Total gas & oil (\$/mcf)	11.87	11.29	10.87	10.50	11.14	12.02	12.12	11.47	12.07
NY Harbor 3-2-1 (\$/bbl)	15.39	11.67	10.50	11.68	24.96	14.68	10.24	15.39	13.10
Revenue (\$mm)									
Natural Gas	107	108	482	123	119	96	109	446	447
Oil	1,839	1,592	6,617	1,519	1,360	1,825	1,828	6,531	7,201
Other	2,124	2,414	8,730	2,310	2,879	2,879	2,879	10,948	11,517
Total	4,070	4,114	15,829	3,951	4,358	4,800	4,816	17,925	19,166
Expense									
	2,642	2,828	10,979	2,840	3,268	3,461	3,565	13,133	13,730
Ebitda (\$mm)									
Exploration and Production	1,221	1,099	4,319	903	727	1,153	1,162	3,945	4,589
Other	207	187	531	208	363	187	89	847	847
Total Ebitda	1,428	1,286	4,850	1,111	1,090	1,340	1,251	4,792	5,436
Exploration	31	18	104	32	37	37	37	143	148
Deprec., Deplet., & Amort.	175	189	721	190	216	216	216	838	864
Hedging and Insurance			-					-	-
Ebit									
	1,222	1,079	4,025	889	837	1,087	998	3,811	4,424
Interest	33	30	139	41	45	45	45	177	182
Ebt									
	1,188	1,048	3,887	848	792	1,041	953	3,633	4,242
Income Tax	416	367	1,360	297	277	364	333	1,272	1,485
Net Income (\$mm)									
Exploration and Production	1,169	595	2,933	457	415	703	694	2,269	2,806
Other	120	87	254	99	206	114	53	472	522
Unallocated	(517)	(1)	(661)	(5)	(107)	(140)	(128)	(380)	(571)
Total	772	682	2,526	551	514	677	619	2,362	2,758
Shares (millions)									
	471	470	470	471	472	472	472	472	472
Per share (\$)	1.64	1.45	5.37	1.17	1.09	1.43	1.31	5.01	5.84
Ebitda Margin (E&P)	63%	65%	61%	55%	49%	60%	60%	57%	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>(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	210	7.9	8.1	1,700	3%
Oil	4,200	25.5	11.5	48,200	89%
Downstream	810		4.9	4,000	7%
	5,220	23.8	10.3	53,900	100%
Debt (US\$mm)					4,400
Net Present Value (US\$mm)					49,500
Shares (mm)					472
Net Present Value - Standard Estimate (US\$/sh)					105
Net Present Value - Approximation by Correlation (US\$/sh)					106



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