

Rating: Buy  
S&P 500: 1494

## Suncor Energy

### 250, 350, 500

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	4,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	80.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	88
<i>Pricing Date</i>	4/26/07	<i>Adjusted Reserves/Production NTM</i>	23.6
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	8.4
<i>Market Capitalization (US\$mm)</i>	37,300	<i>PV/Ebitda</i>	9.8
<i>Debt (US\$mm)</i>	3,700	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (US\$mm)</i>	41,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	39.80
<i>Present Value (PV) (US\$mm)</i>	47,500	<i>Present Value Proven Reserves(US\$/boe)</i>	16.71
<i>Net Present Value (US\$/share)</i>	95	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.78
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.53
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.29

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.

For historical analysis of SU since 2004 see [www.mcdep.com/2su.htm](http://www.mcdep.com/2su.htm)

### Summary and Recommendation

A billion dollars of cash flow for buy-recommended **Suncor (SU)** in first quarter 2007, reported on April 26, hint at a likely profitable future as the company expands oils sands capacity. The oldest oil sands miner in Canada, Suncor today has the second largest upgrading capacity at about 250 thousand barrels daily (mbd). Two expansions are underway to 350 mbd in 2008 and 500 mbd in 2012. The first would match the industry leader, Syncrude, at 350 mbd and the second expansion would likely make Suncor the undisputed leader in capacity for awhile. Estimated net present value (NPV) of US\$95 a share is equivalent to 96% of the value of Syncrude that we use in estimated NPV for the four largest owners of that oil sands facility. Among the comparative considerations, Syncrude produced 350 mbd last month while Suncor is still a year away from that level. Suncor has natural gas production and refineries outside Alberta while Syncrude produces a more refined product on site. Political risk is a concern in Canada as it is everywhere. Despite that uncertainty, we favor Suncor stock at a half unlevered weighting in the illustrative McDep Energy Portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA

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

	<i>Q1</i>	<i>Q4</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>3/31/06</i>	<i>12/31/06</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>3/31/08</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/08</i>
<b>Volume</b>									
Natural Gas (mmcf)	196	192	191	191	191	191	<b>191</b>	191	<b>191</b>
Oil (mbd)	279	277	258	261	261	261	<b>260</b>	261	<b>261</b>
Total gas & oil (bcf)	168	170	156	160	162	162	<b>639</b>	158	<b>641</b>
Total gas & oil (mbd))	311	309	289	293	293	293	<b>292</b>	293	<b>293</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	6.81	7.60	7.95	8.80	<b>7.79</b>	9.71	<b>8.52</b>
Currency (US\$/C\$)	0.87	0.88	0.89	0.89	0.89	0.89	<b>0.89</b>	0.89	<b>0.89</b>
Henry Hub (C\$/mmbtu)	10.31	7.48	7.63	8.52	8.91	9.87	<b>8.73</b>	10.89	<b>9.55</b>
U.S. (or North America)	8.75	6.40	7.14	7.97	8.33	9.23	<b>8.17</b>	10.18	<b>8.92</b>
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	58.08	65.07	67.85	69.47	<b>65.12</b>	70.42	<b>68.20</b>
WTI Cushing (C\$/bbl)	72.79	68.33	65.10	72.94	76.06	77.87	<b>72.99</b>	78.93	<b>76.45</b>
Company	65.61	60.51	65.50	73.39	76.53	78.35	<b>73.51</b>	79.42	<b>76.92</b>
Total gas & oil (\$/mcf)	10.71	9.70	10.50	11.77	12.27	12.64	<b>11.81</b>	12.90	<b>12.40</b>
NY Harbor 3-2-1 (\$/bbl)	7.40	7.54	11.68	21.91	17.36	11.15	<b>15.53</b>	10.96	<b>15.35</b>
<b>Revenue (\$mm)</b>									
Natural Gas	154	113	123	139	146	162	<b>570</b>	175	<b>622</b>
Oil	1,645	1,541	1,519	1,743	1,838	1,881	<b>6,981</b>	1,866	<b>7,328</b>
Other	2,059	2,133	2,310	2,310	2,310	2,310	<b>9,239</b>	2,310	<b>9,239</b>
Total	3,858	3,787	3,951	4,191	4,294	4,353	<b>16,789</b>	4,350	<b>17,189</b>
<b>Expense (\$mm)</b>									
	2,553	2,987	2,858	2,859	2,919	3,039	<b>11,675</b>	2,921	<b>11,739</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	1,257	712	888	1,129	1,190	1,226	<b>4,434</b>	1,224	<b>4,770</b>
Other	48	88	205	203	184	88	<b>680</b>	205	<b>680</b>
Total Ebitda	1,305	800	1,093	1,332	1,375	1,314	<b>5,114</b>	1,429	<b>5,450</b>
Exploration	31	24	32	32	32	32	<b>128</b>	32	<b>128</b>
Deprec., Deplet., & Amort.	158	199	190	190	190	190	<b>760</b>	190	<b>760</b>
Hedging and Insurance							-		-
<b>Ebit (\$mm)</b>									
	1,116	577	871	1,110	1,153	1,092	<b>4,226</b>	1,207	<b>4,562</b>
Interest	38	37	41	41	41	41	<b>164</b>	41	<b>164</b>
<b>Ebt (\$mm)</b>									
	1,078	539	830	1,069	1,111	1,051	<b>4,062</b>	1,166	<b>4,397</b>
Income Tax	377	189	290	374	389	368	<b>1,422</b>	408	<b>1,539</b>
<b>Net Income (\$mm)</b>									
	701	350	539	695	722	683	<b>2,640</b>	758	<b>2,858</b>
Exploration and Production	762	407	457	607	645	657	<b>2,366</b>	669	<b>2,578</b>
Other	16	31	99	109	100	47	<b>355</b>	112	<b>368</b>
Unallocated	(77)	(88)	(17)	(21)	(22)	(21)	<b>(81)</b>	(23)	<b>(87)</b>
Total	701	350	539	695	722	683	<b>2,640</b>	758	<b>2,858</b>
<b>Shares (millions)</b>									
	461	461	461	461	461	461	<b>461</b>	461	<b>461</b>
Per share (\$)	1.52	0.76	1.17	1.51	1.57	1.48	<b>5.73</b>	1.64	<b>6.20</b>
Ebitda Margin (E&P)	70%	43%	54%	60%	60%	60%	<b>59%</b>	60%	<b>60%</b>
Tax Rate	35%	35%	35%	35%	35%	35%	<b>35%</b>	35%	<b>35%</b>

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

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	<u>(US\$mm)</u>
North American Natural Gas	280	7.9	6.1	1,700	4%
Oil	3,970	25.2	10.8	42,800	90%
Downstream	610		4.9	3,000	6%
	4,860	23.6	9.8	47,500	100%
Debt (US\$mm)					3,700
Net Present Value (US\$mm)					43,800
Shares (mm)					461
Net Present Value - Standard Estimate (US\$/sh)					95
Net Present Value - Approximation by Correlation (US\$/sh)					101

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