

Rating: Buy
S&P 500: 1519
Intraday

Suncor Energy Political Pall over Canada

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	5,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	104.58	<i>Natural Gas and Oil Production/Ebitda (%)</i>	85
<i>Pricing Date</i>	10/25/07	<i>Adjusted Reserves/Production NTM</i>	26.6
<i>Shares (mm)</i>	472	<i>EV/Ebitda</i>	10.0
<i>Market Capitalization (US\$mm)</i>	49,400	<i>PV/Ebitda</i>	10.0
<i>Debt (US\$mm)</i>	5,100	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (US\$mm)</i>	54,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	49.00
<i>Present Value (PV) (US\$mm)</i>	54,700	<i>Present Value Proven Reserves(US\$/boe)</i>	18.71
<i>Net Present Value (US\$/share)</i>	105	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.12
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.84
<i>McDep Ratio - EV/PV</i>	1.00	<i>Price/Earnings Next Twelve Months</i>	18
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.41

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

Though stock price of buy-recommended **Suncor (SU)** has reached net present value (NPV) of \$105 a share, our estimate depends primarily on oil price that continues to appreciate. Third quarter results reported today portray a volume rebound from the previous quarter for Canada's oldest and second largest oil sands miner/upgrader (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV corresponds to an unlevered cash flow multiple (PV/Ebitda) of 10 times, which seems low relative to the company's volume growth potential and exposure to higher oil price (see table [Functional Cash Flow and Present Value](#)). Estimates do not reflect any adverse impact from possible tax increases following the outrageous recommendations of an Alberta government-appointed royalty review panel on September 18. Premier Ed Stelmach may give his specific recommendations later today that may then take longer to be digested and implemented. Canada proves that no government is without risk to investors. Taxes are a large part of the driving force behind the rising trend in oil price (see chart [Six-Year Commodity Price Meter](#)).

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Please see disclosures on the final page.

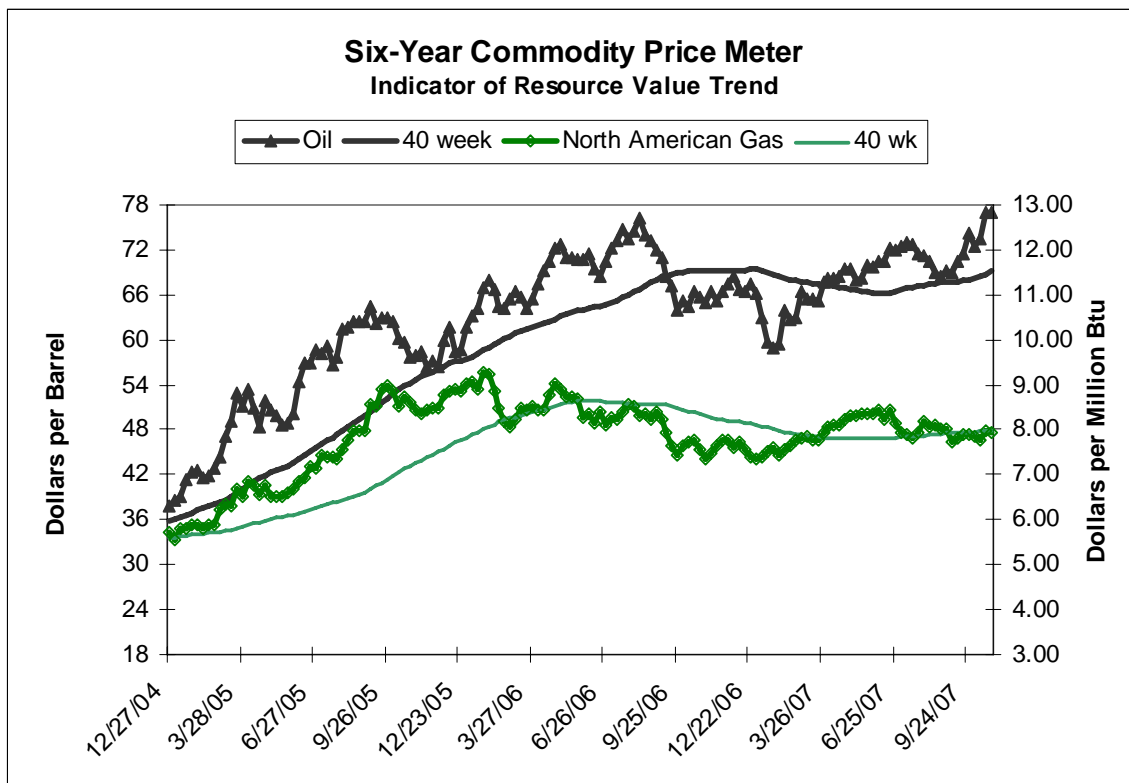
Suncor
Next Twelve Months Operations
(Canadian Dollars)

	<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>9/30/06</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>6/30/08</i>	<i>9/30/08</i>	<i>9/30/08</i>
Volume									
Natural Gas (mmcf)	191	191	193	193	192	193	193	193	194
Oil (mbd)	241	211	227	227	231	227	227	227	227
Total gas & oil (bcf)	150	133	143	143	575	142	142	143	569
Total gas & oil (mbd)	273	243	259	259	263	259	259	259	259
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	6.95	6.87	7.87	7.53	7.76	7.53
Currency (US\$/C\$)	0.89	0.91	1.03	1.03	0.95	1.03	1.03	1.03	1.03
Henry Hub (C\$/mmbtu)	7.38	8.29	5.96	6.73	7.24	7.62	7.29	7.51	7.29
U.S. (or North America)	6.13	6.83	5.14	5.80	6.22	6.57	6.29	6.48	6.28
Oil (\$/bbl)									
WTI Cushing	70.42	64.91	75.48	86.12	71.15	84.42	82.44	80.91	83.47
WTI Cushing (C\$/bbl)	78.95	71.25	73.05	83.35	73.91	81.71	79.79	78.31	80.79
Company	71.86	70.73	76.71	87.53	74.94	85.80	83.79	82.24	84.84
Total gas & oil (\$/mcf)	11.29	11.14	11.84	13.50	11.73	13.34	13.01	12.81	13.17
NY Harbor 3-2-1 (\$/bbl)	11.67	24.96	12.64	5.49	13.69	9.38	14.14	14.02	10.76
Revenue (\$mm)									
Natural Gas	108	119	91	103	436	115	110	115	444
Oil	1,592	1,360	1,602	1,828	6,309	1,772	1,731	1,717	7,049
Other	2,414	2,879	2,973	2,973	11,134	2,973	2,973	2,973	11,891
Total	4,114	4,358	4,666	4,904	17,879	4,861	4,814	4,805	19,383
Expense	2,828	3,268	3,341	3,656	13,105	3,520	3,347	3,578	14,100
Ebitda (\$mm)									
Exploration and Production	1,099	727	1,198	1,159	3,986	1,133	1,105	1,099	4,496
Other	187	363	127	89	787	208	363	127	787
Total Ebitda	1,286	1,090	1,325	1,248	4,774	1,341	1,467	1,227	5,283
Exploration	18	37	9	9	87	20	20	20	69
Deprec., Deplet., & Amort.	189	216	228	228	862	228	228	228	912
Hedging and Insurance					-				-
Ebit	1,079	837	1,088	1,011	3,825	1,093	1,219	979	4,302
Interest	30	45	50	50	186	50	50	50	198
Ebt	1,048	792	1,038	961	3,639	1,043	1,170	929	4,104
Income Tax	367	277	363	336	1,274	365	409	325	1,436
Net Income (\$mm)									
Exploration and Production	595	415	556	512	1,940	506	506	478	2,002
Other	87	206	40	39	384	93	166	55	354
Unallocated	(1)	(107)	79	73	41	79	89	71	312
Total	682	514	675	625	2,365	678	760	604	2,667
Shares (millions)	470	472	472	472	472	472	472	472	472
Per share (\$)	1.45	1.09	1.43	1.32	5.01	1.44	1.61	1.28	5.65
Ebitda Margin (E&P)	65%	49%	71%	60%	59%	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>(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	230	7.8	7.4	1,700	3%
Oil	4,420	28.8	11.1	49,000	90%
Downstream	810		4.9	4,000	7%
	5,460	26.6	10.0	54,700	100%
Debt (US\$mm)					5,100
Net Present Value (US\$mm)					49,600
Shares (mm)					472
Net Present Value - Standard Estimate (US\$/sh)					105



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