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Short-Term Report

November 18, 2003

Update – Strong Buy

Suncor Energy Inc. (NYSE) SU \$21.93

Company Data

52-Week Range	\$14.43-\$22.50
Market Cap	\$9.85b
Shares Outstanding	449.97M
Book Value	\$6.24
Price/Book	3.47
Average Daily Vol.	338K
Target Price	\$31.00
Target Percentage	40%



Suncor Energy Inc. is an integrated Canadian energy company, which is engaged in production, refining and marketing of oil and natural gas. Our recommendation of Suncor Energy is primarily based upon the substantial oil reserves (about 7.5 billion barrels) in the vast oil sands deposits in northern Alberta, Canada. Given the need for additional oil supplies from more politically stable areas, we believe that Suncor is especially attractively situated.

We are attracted to Suncor Energy for the following reasons:

- The estimated reserves of the oil sands of Alberta are about 7.5 billion barrels. This sizeable deposit will more than offset the declining oil production of the North Slope.
- **After years of development, Suncor has achieved a daily production output of a little over 200,000 barrels a day. This production is up from about 150,000 barrels per day in 2001. For 2004, we expect average daily output of about 240,000-245,000 barrels.**
- While the cost of production from oil sands is higher than conventional oil production, it's still well below the average price of oil over the past several years. At the present time the average cost of production is about \$11 per barrel; which compares to an average selling price of \$25 per barrel. We assume that the price of oil will average about \$26 per barrel during 2004 with the cost of production declining to about \$10 per barrel. Thus, gross profit margins will improve significantly.
- For 2004, we expect the company to earn about \$1.65 per share and generate cash flow of about \$2.75 per share. At \$21 per share, we believe the company is attractive; especially in view of its substantial petroleum reserves.
- **We recommend Suncor Energy Inc. as an attractive investment in the energy industry.**

We have established a target price of \$31 per share.

"Commit to your stocks as one commits to their beliefs, no matter how rocky the road is. Stay the course"
(VM)

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