



Analysts

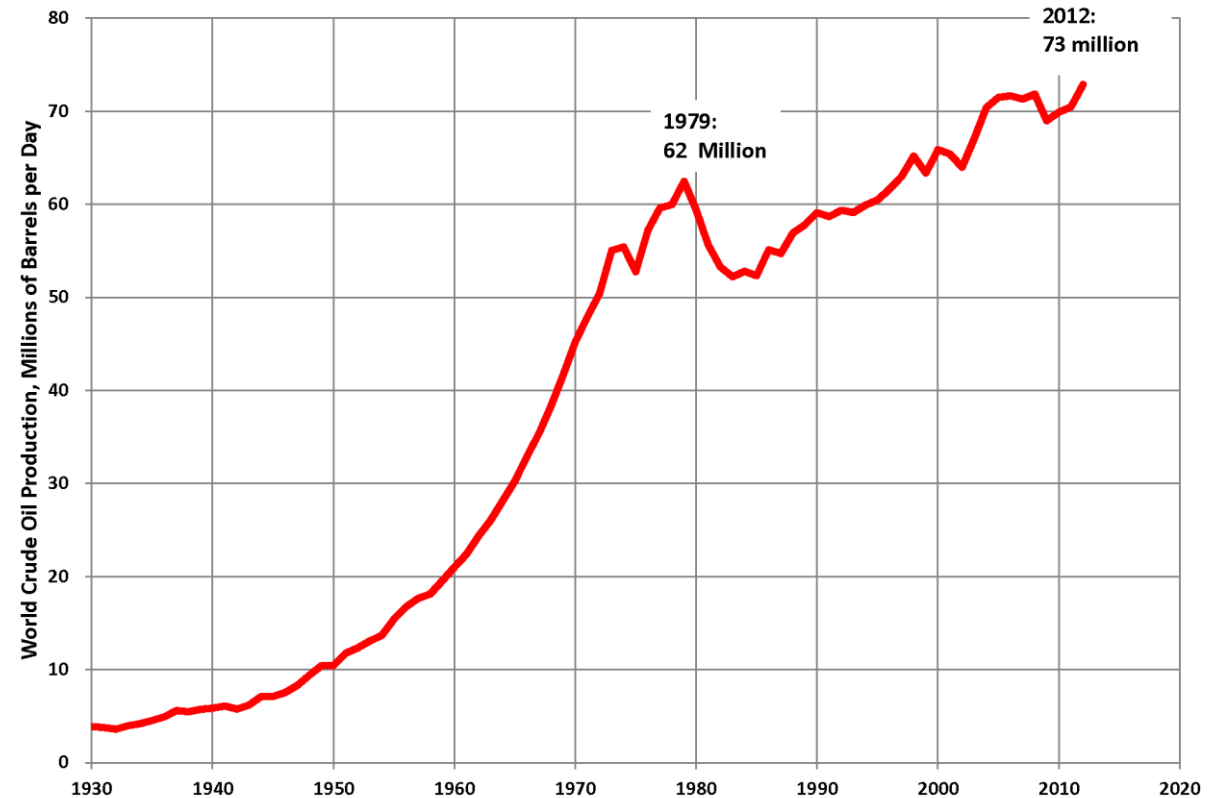
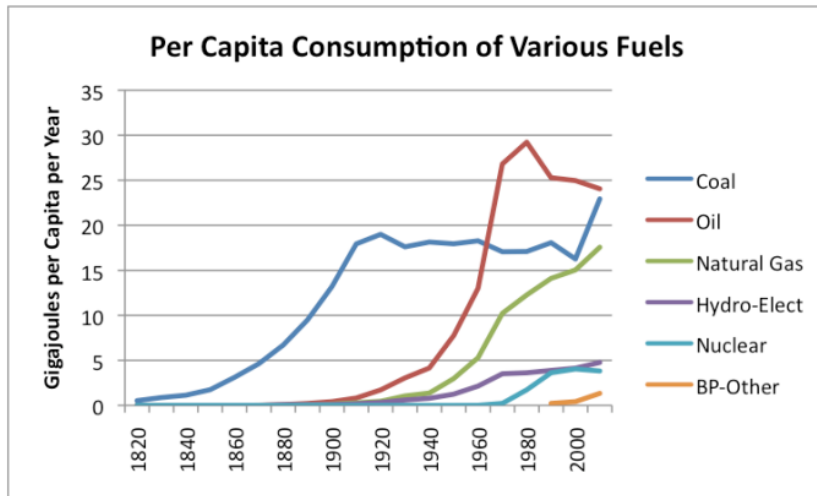
Karen Ke | Raymond Lau | Fergus Wong | Meng Li

BUS 417 Spring 2016

Canadian Oil and Gas

History

- 1859 – first successful oil well
- 1861 – 3,000 barrels per day
- 19th century – frequently used in automobile industry
- After WW II – industry boom



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Industry Facilities

- Exploration
- Upstream
- Midstream
- Refining



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Exploration



- Past: Surface features provides initial clues to the location of shallow hydrocarbon deposits.
- Now: Passive seismic, reflective seismic, magnetic and gravity surveys



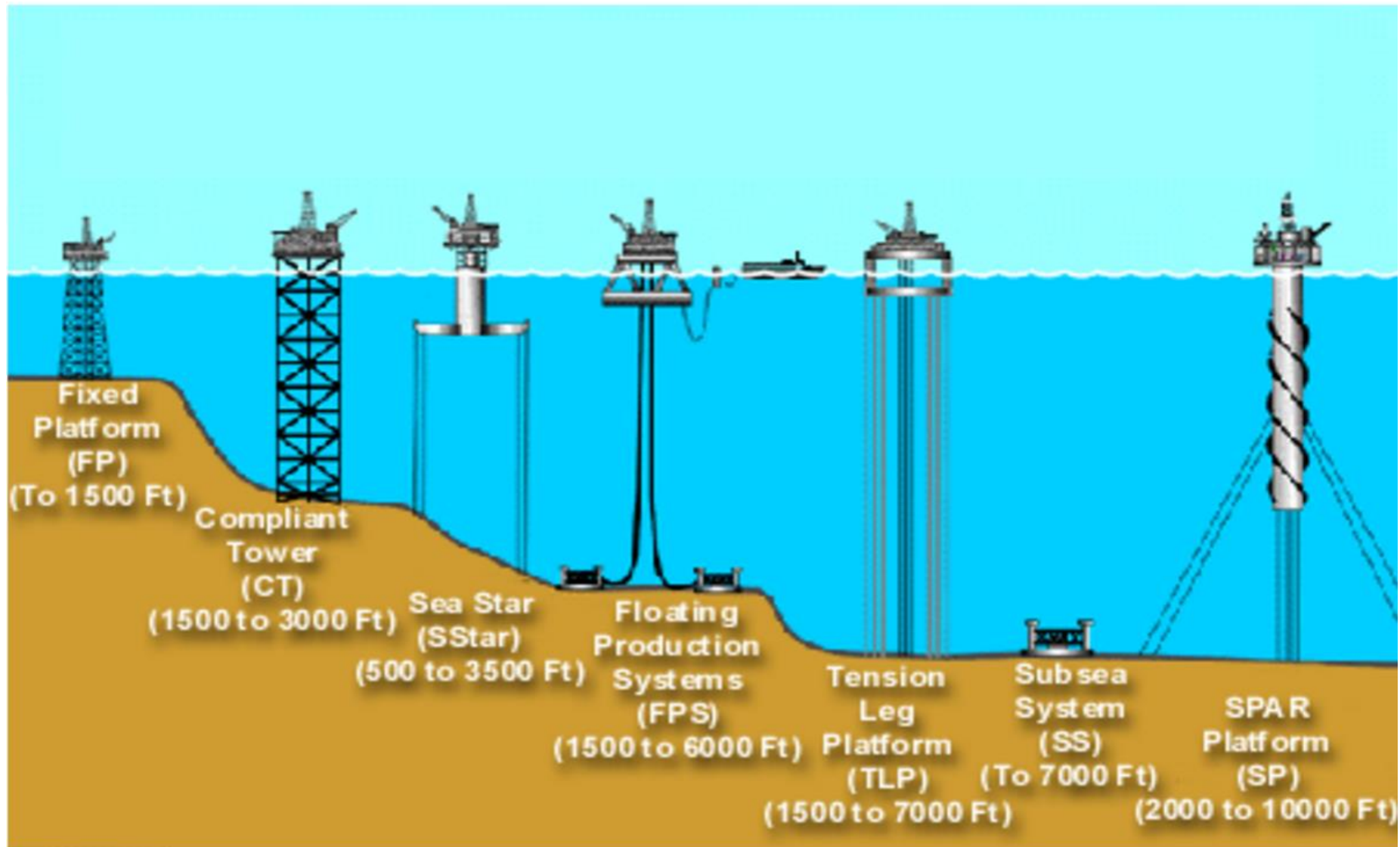
Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Upstream Process Sections

- Wellheads
- Manifolds and gathering
- Separation
- Metering, storage and export
- Utility system



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Wellheads

- The wellhead sits on top of the actual oil or gas well leading down to the reservoir.
- A wellhead may also be an injection well, used to inject water or gas back into the reservoir to maintain pressure and levels to maximize production.



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Manifolds and Gathering

- Onshore, the individual well streams are brought into the main production facilities over a network of gathering pipelines and manifold systems
- Offshore, the dry completion wells on the main field center feed directly into production manifolds, while outlying wellhead towers and subsea installations feed via multiphase pipelines back to the production risers.



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Separation

- More often, the well produces a combination of gas, oil and water, with various contaminants that must be separated and processed.
- Gravity separator is the most common one being used



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Metering, Storage and Export

- Metering stations allow operators to monitor and manage the natural gas and oil exported from the production installation.
- These meters are used to measure the natural gas or oil as it flows through the pipeline, without impeding its movement.

Utility System

- Utility systems are systems which do not handle the hydrocarbon process flow, but provide some service to the main process safety or residents, such as electricity.



Industry Analysis

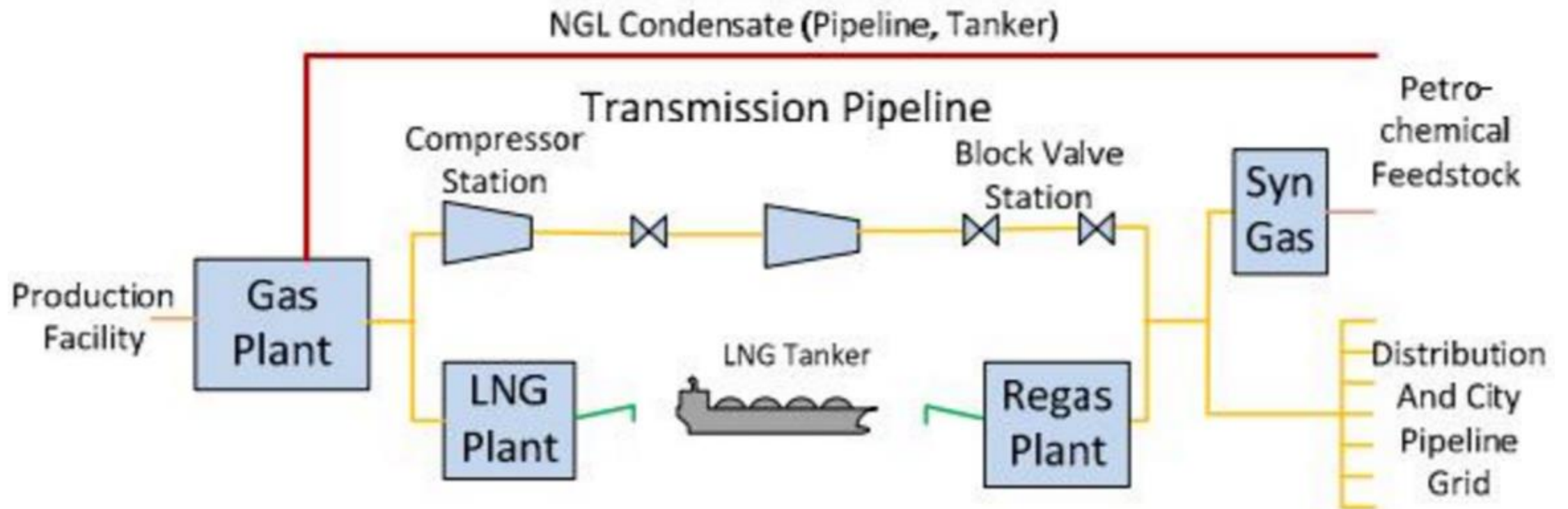
Suncor

Husky

Imperial

Canadian Oil and Gas

Midstream



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Refining

- Refining aims to provide a defined range of products according to agreed specifications.
- The refinery operations often include product distribution terminals for dispensing product to bulk customers such as airports, gasoline stations, ports and industries.



Industry Analysis

Suncor

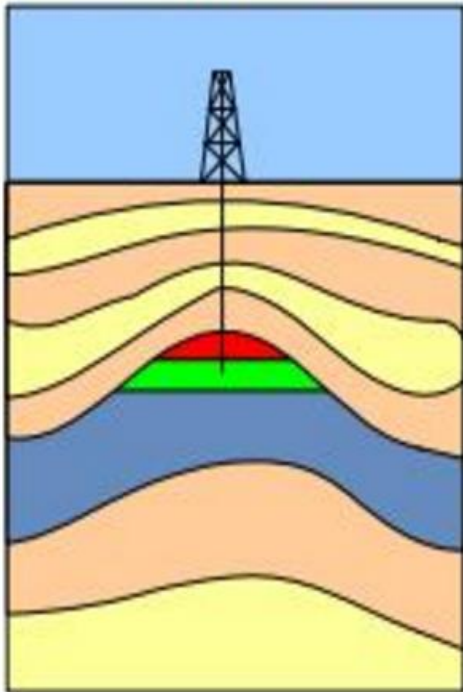
Husky

Imperial

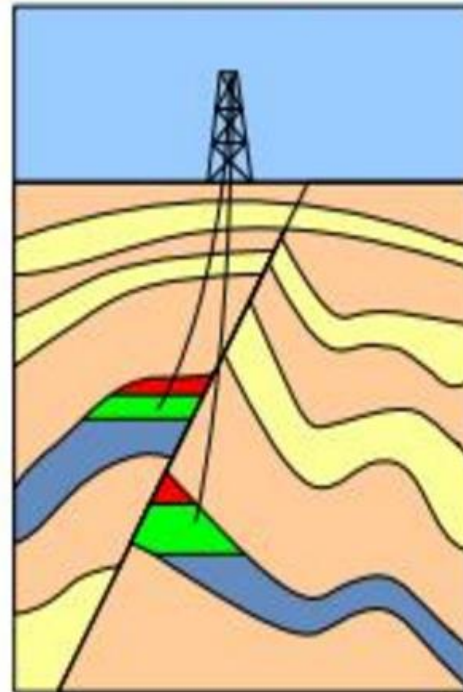
Canadian Oil and Gas

Reservoirs

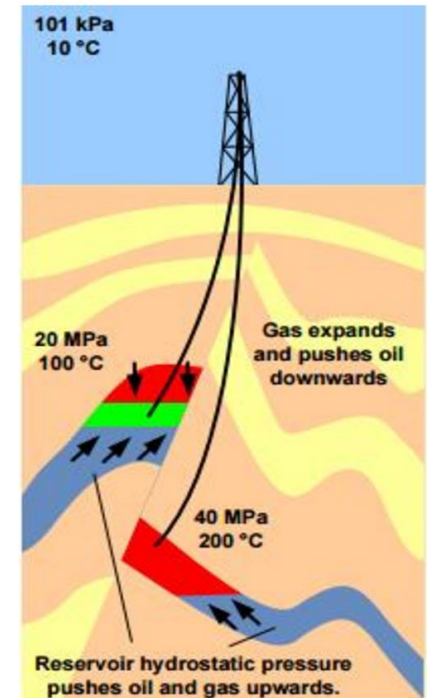
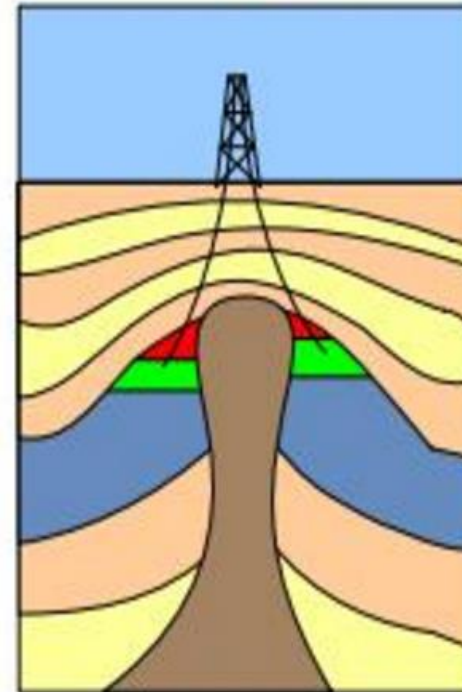
Anticline



Fault



Salt dome



- Gas
- Oil
- Fossil water in porous reservoir rock
- Porous rock
- Impermeable rock



Industry Analysis

Suncor

Husky

Imperial

Industry In Canada



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Natural Gas in Canada

- Natural gas production in Canada is predominantly from the Western Canadian Sedimentary Basin in British Columbia, Alberta, and Saskatchewan.

YEAR	1980	2014	2030 (CONT. LOW PRICE)	2030 (PRICE RECOVERY)
Production average (billion cubic feet/day)	7	15.3	12.6	16.9
Conventional natural gas	100%	78%	47%	35%
Unconventional natural gas	0%	22%	53%	65%
Total annual natural gas production (tcf)	2.6	5.4	4.6	6.2



Industry Analysis

Suncor

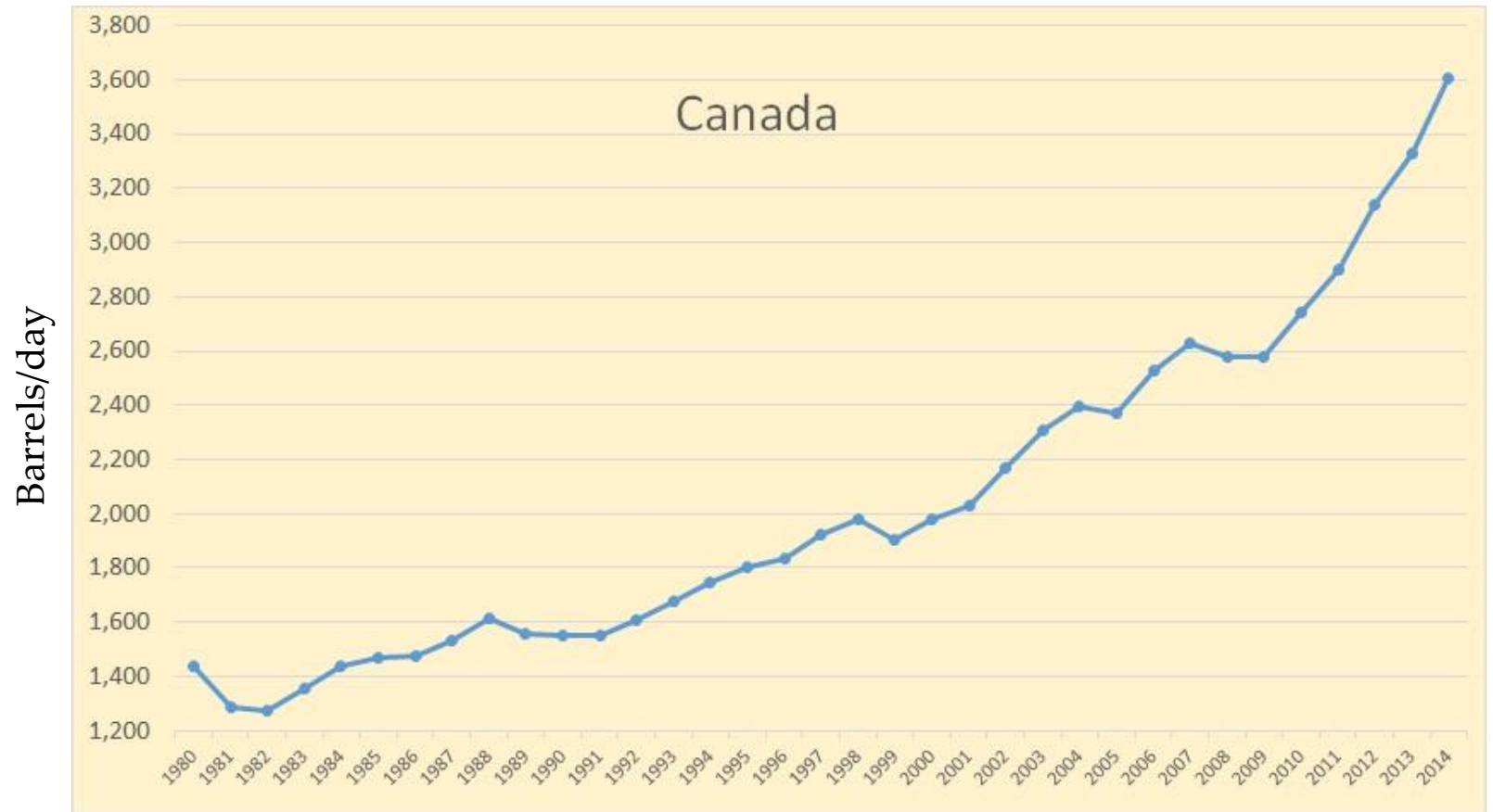
Husky

Imperial

Canadian Oil and Gas

Crude Oil in Canada

- Estimated remaining ultimate potential of 339 billion barrels as of December 2012
- 90% oil sands + 10% conventional oil



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

Selected Facts in Canadian Oil and Gas Industry

- 1.4 million barrels per day of conventional oil production
- 2.2 million barrels per day of oil sands production
- 14.8 billion cubic feet per day of natural gas production
- \$81 billion in capital spending
- \$17 billion in taxes and royalties paid to governments per annum
- Oil and gas industry currently supports 500,000 jobs across Canada
- Oil sands are forecasted to create 790,000 new jobs by 2038 (Estimated by Canadian Energy Research Institute in 2014)
- Oil and gas industry current comprises about 12 percent of the Toronto Stock Exchange



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

- Have a large potential in accessing investors
- Have stable operating environment
- A completely privately owned hydrocarbon sector welcomes international investment

Strengths & Weaknesses

- Lack of access to markets beyond the US
- Highly capital-intensive
- Insufficient pipeline infrastructure leads to the bottleneck of transportation



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas

- Resource base
- Production growth potential
- High market demand
- Access to capital
- Broad public support

Opportunities & Threats

- Cost escalation
- Upcoming elections / political transitions
- Heavily rely on single market



Industry Analysis

Suncor

Husky

Imperial

Canadian Oil and Gas



Toronto Stock Exchange: SU
Suncor Energy Inc

Delayed quote ⓘ
\$35.86

Today's change
+0.29 +0.82%

P/E
Negative

Market cap
56.73B

52-week range

Updated March 24 4:00 PM EDT. Delayed by at least 15 minutes.

Five Day Performance

March 27 2:08 AM EDT.

5 days



Suncor Energy Inc closed up Thursday by \$0.29 or 0.82% to \$35.86. Shares have lost 1.91% over the last five days, but are unchanged over the last year to date. This security has outperformed the S&P TSX by 11.12% during the last year.

KEY COMPANY METRICS

Open	\$34.98
Previous close	\$35.57
High	\$35.95
Low	\$34.86
Bid / Ask ⓘ	\$35.83 / \$35.87
YTD % change	+0.39%
Volume ⓘ	3,925,643
Average volume (10-day)	3,822,304
Average volume (1-month)	4,286,359
Average volume (3-month)	3,778,201
52-week range	\$27.32 to \$40.93
Beta	1.69
Trailing P/E	Negative, not meaningful
P/E 1 year forward	Negative, not meaningful
Forward PEG	Negative, not meaningful
Indicated annual dividend	\$1.16
Dividend yield	3.23%
Trailing EPS	-\$1.38

Updated March 24 4:00 PM EDT. Delayed by at least 15 minutes.

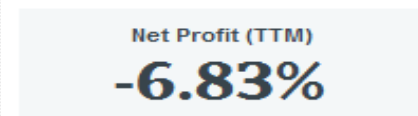
EARNINGS



AVERAGE RATING



PROFIT



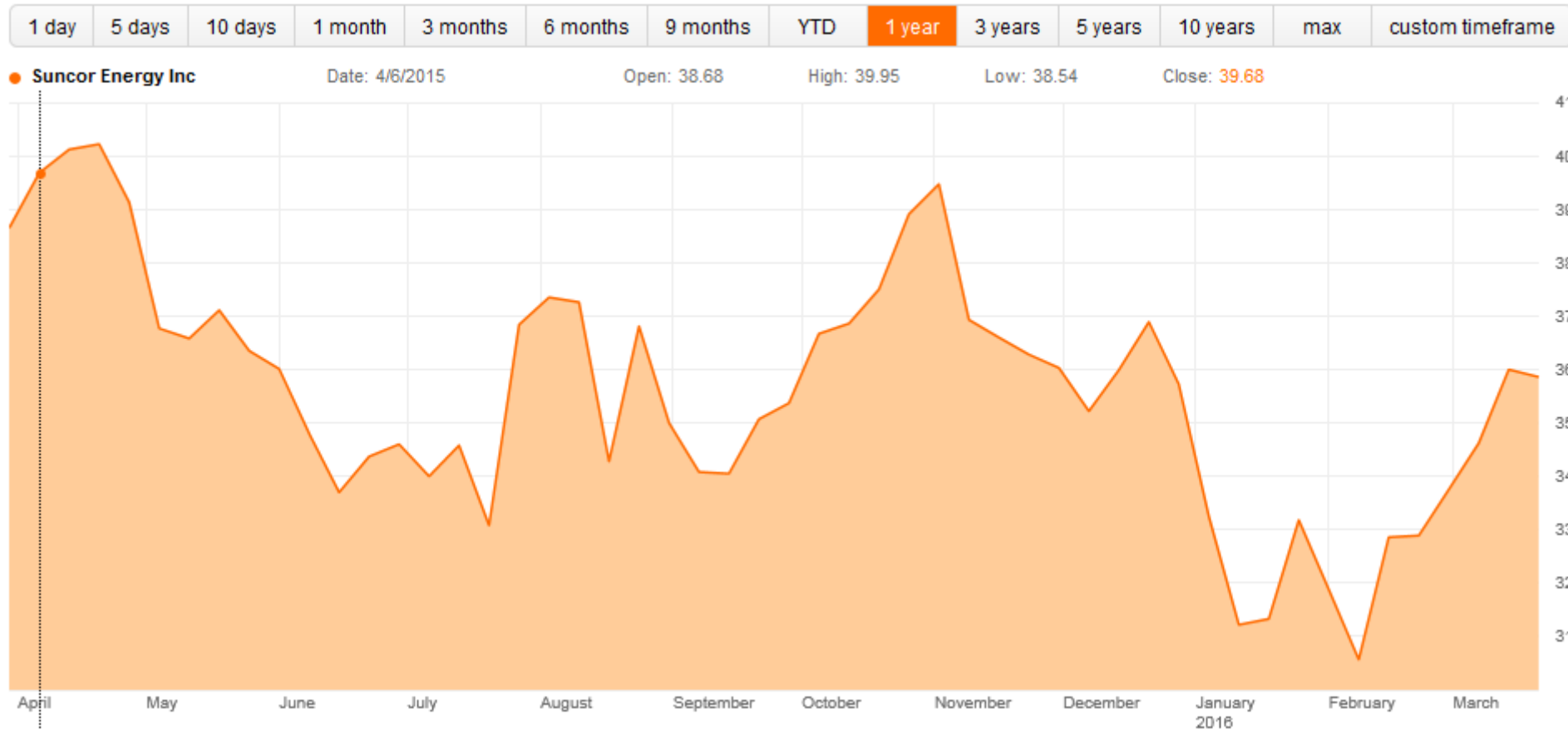
Industry Analysis

Suncor

Husky

Imperial

1 Year Stock Performance



Industry Analysis



Suncor



Husky

Imperial

5 Year Stock Performance



Industry Analysis



Suncor

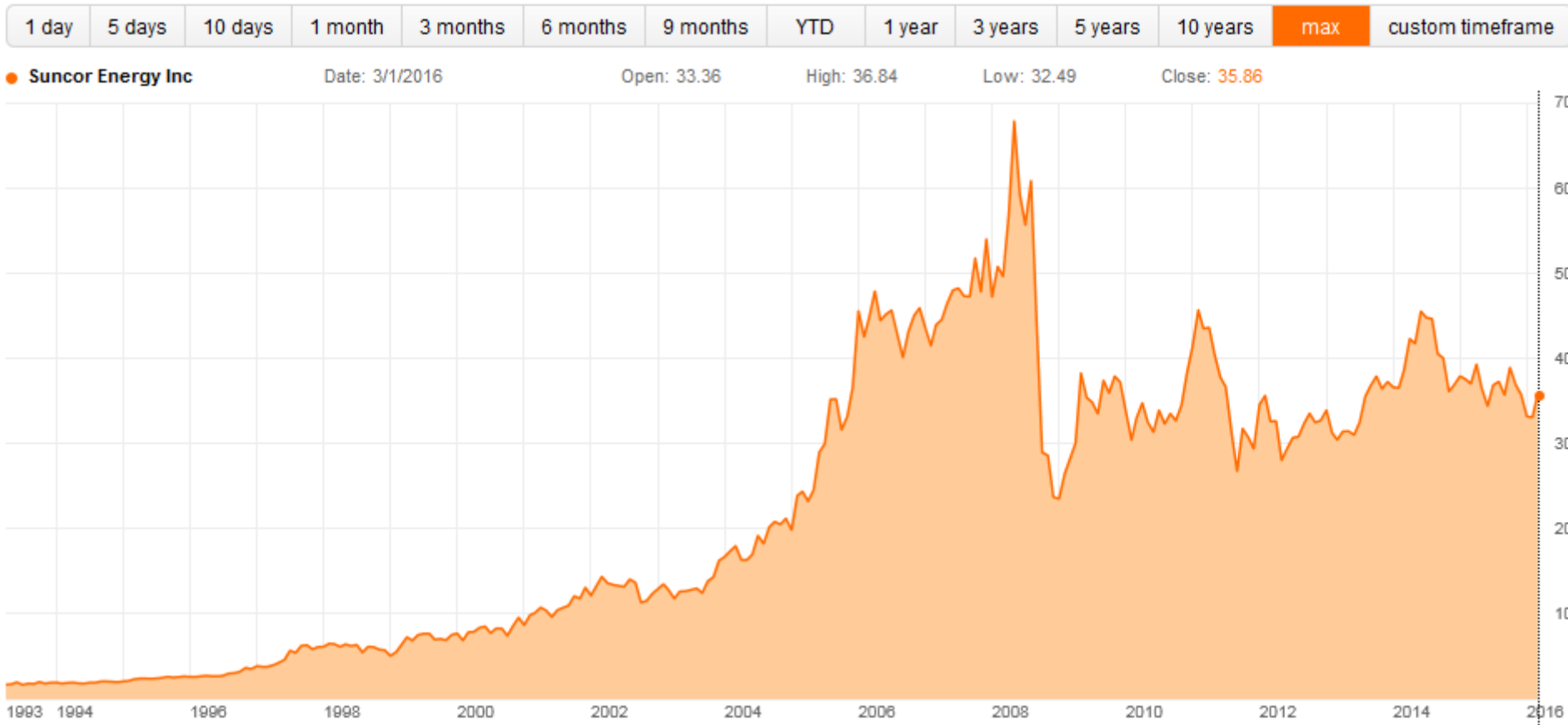


Husky

Imperial



Max Stock Performance



Industry Analysis



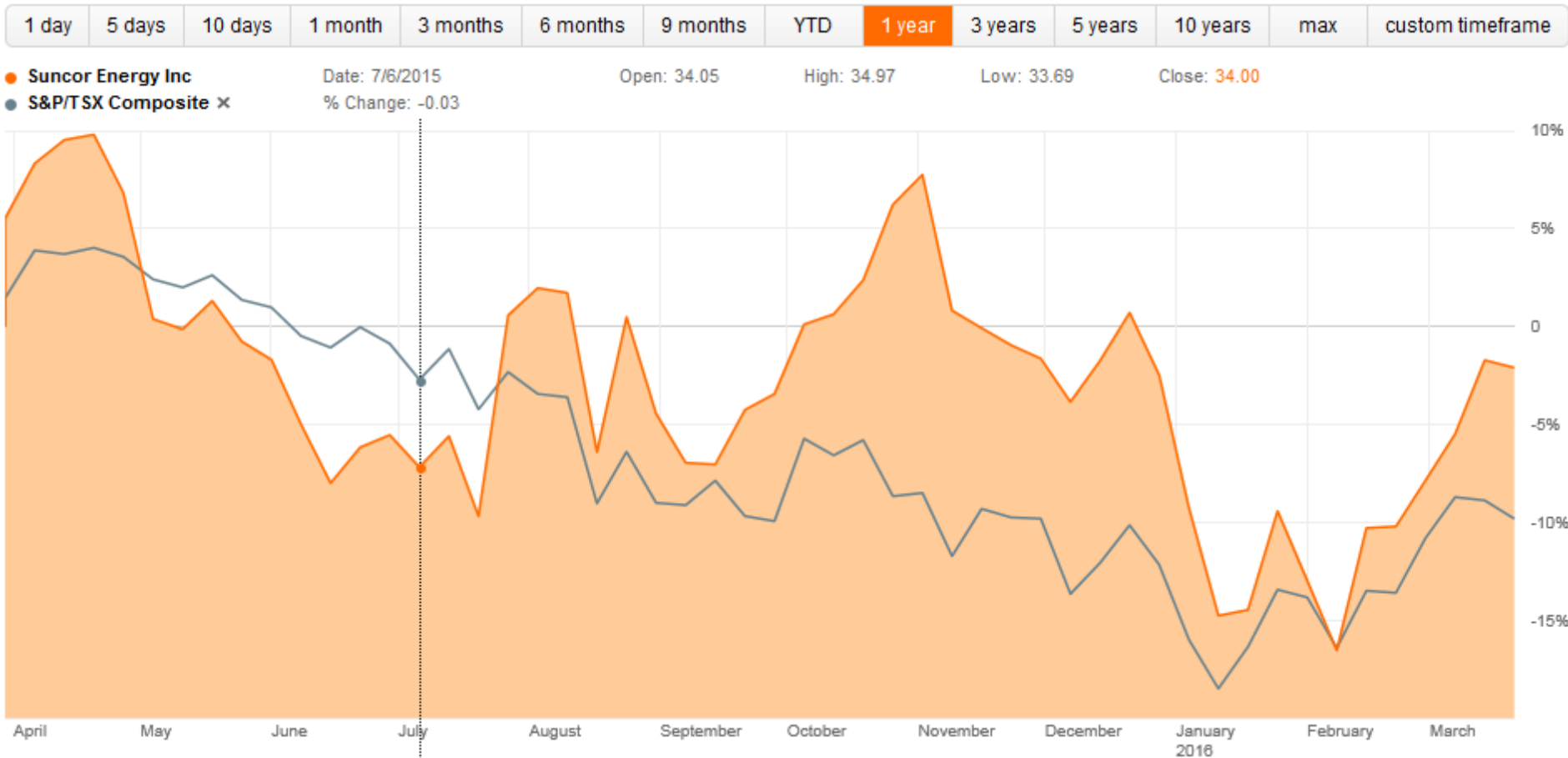
Suncor



Husky

Imperial

1 Year Stock Performance vs. S&P/TSX Composite



Industry Analysis



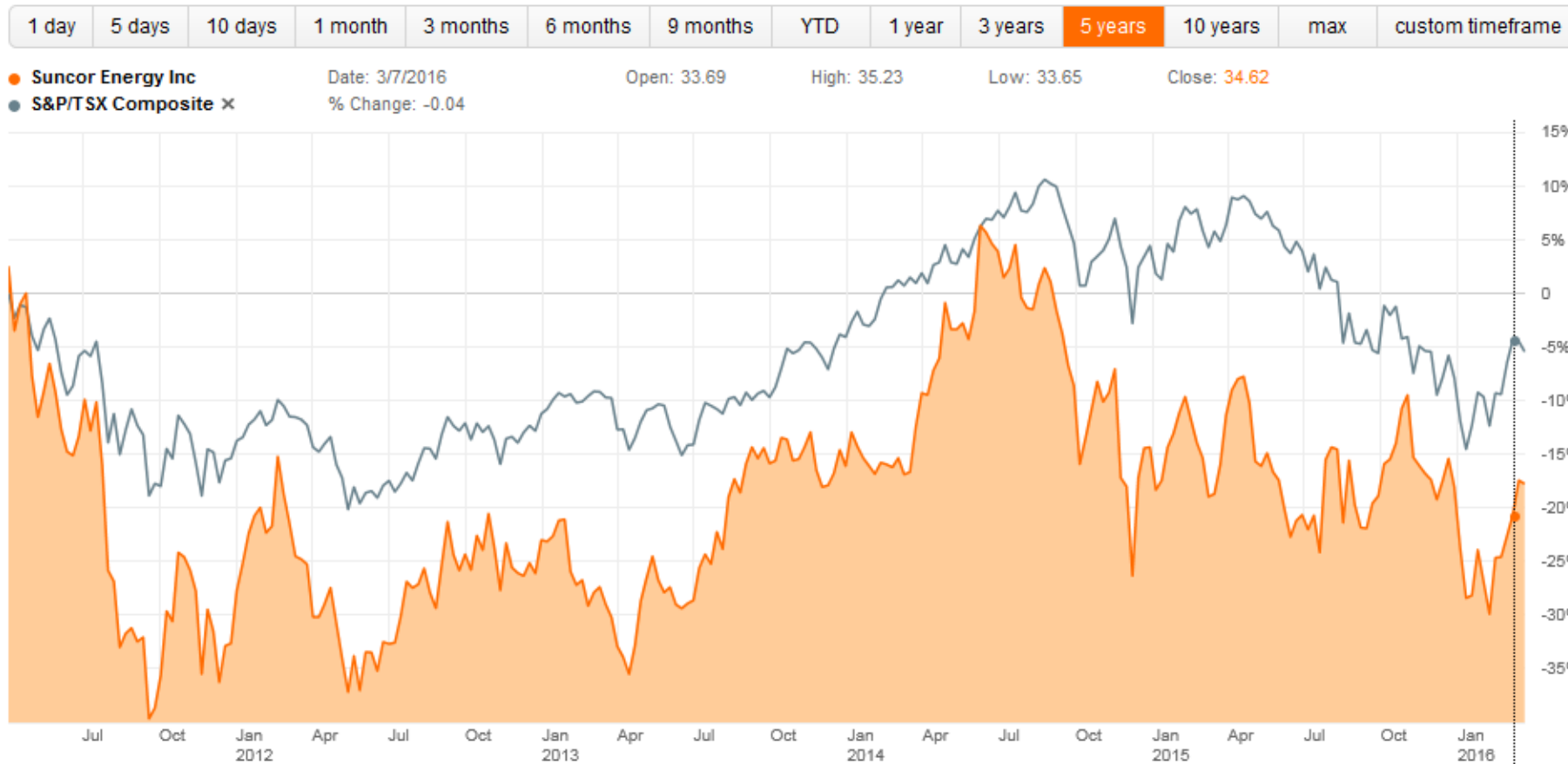
Suncor



Husky

Imperial

5 Year Stock Performance vs. S&P/TSX Composite



Industry Analysis



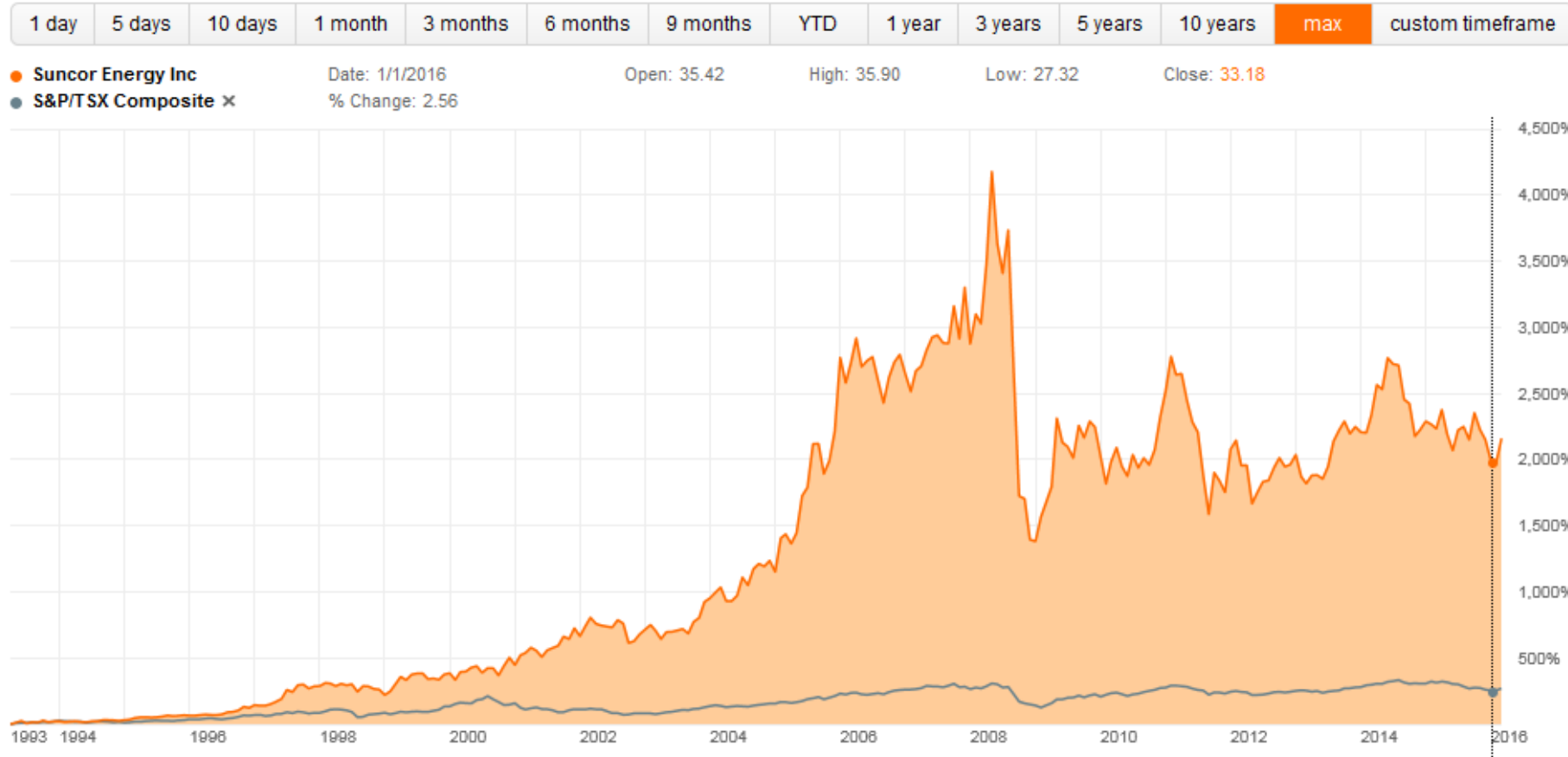
Suncor



Husky

Imperial

Max Stock Performance vs. S&P/TSX Composite



Industry Analysis



Suncor



Husky

Imperial

Company Profile

- Headquartered in Calgary, Alberta
- Canada's largest integrated energy company
- Focused on developing one of the world's largest petroleum resource basins – Canada's Athabasca oil sands
- Founded in 1967 and pioneered commercial crude oil production from Alberta's oil sands
- Became a publicly traded company in 1992
- Since IPO, daily oil sands production increased over 600% with ROI of 5173% vs S&P total shareholder return of 373%



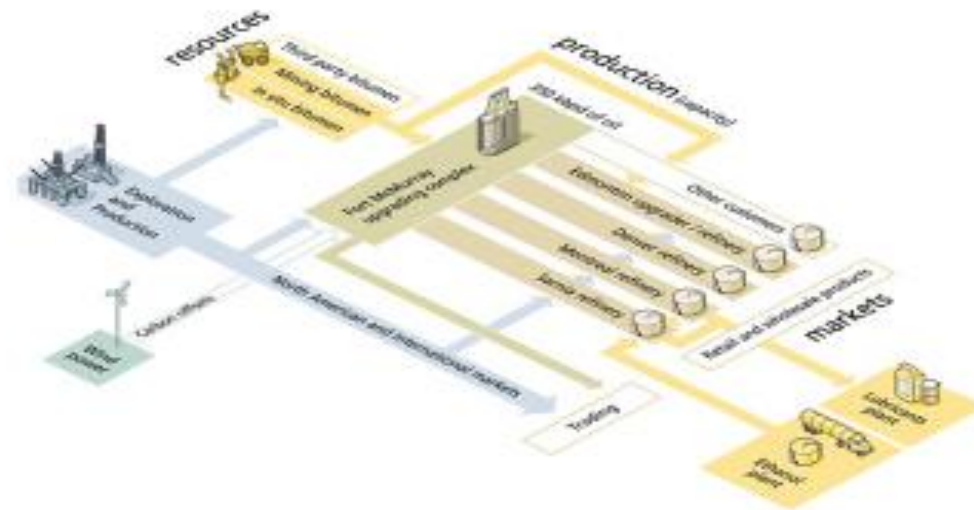
Acquisition of Canadian Oil Sands

- Tender 0.28 common share of Suncor for each common share of COS
- Board of directors from both companies support Suncor's offer to acquire COS
- Offer ended Feb 5, 2016
- As of Feb 5, 2016, Suncor successfully acquired 72.9% of COS
- Increased incremental 128,500 bbls/d capacity of sweet synthetic crude oil
- Increased position from 12% to 49% in Syncrude oil sands and upgrading operation
- Integrate Syncrude assets with Suncor Oil Sands assets



Business Model

- Fully integrated company involved in Upstream (exploration), Midstream (supply/trading, marketing), Downstream (refining)



Business Segments

- Oil Sands
- Exploration and Production
- Refining and Marketing
- Corporate, Energy Trading and Eliminations

Industry Analysis



Suncor

Husky

Imperial

3. SEGMENTED INFORMATION

The company's operating segments are reported based on the nature of their products and services and management responsibility.

Intersegment sales of crude oil and natural gas are accounted for at market values and are included, for segmented reporting, in revenues of the segment making the transfer and expenses of the segment receiving the transfer. Intersegment amounts are eliminated on consolidation.

Three months ended December 31 (\$ millions)	Oil Sands		Exploration and Production		Refining and Marketing		Corporate, Energy Trading and Eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues and Other Income										
Gross revenues	1 575	2 154	505	1 020	4 429	6 017	33	18	6 542	9 209
Intersegment revenues	442	684	—	58	13	39	(455)	(781)	—	—
Less: Royalties	(10)	(107)	(33)	(203)	—	—	—	—	(43)	(310)
Operating revenues, net of royalties	2 007	2 731	472	875	4 442	6 056	(422)	(763)	6 499	8 899
Other income	68	74	14	33	43	97	(31)	(12)	94	192
	2 075	2 805	486	908	4 485	6 153	(453)	(775)	6 593	9 091
Expenses										
Purchases of crude oil and products	136	170	—	56	2 989	5 085	(452)	(852)	2 673	4 459
Operating, selling and general	1 317	1 451	126	126	565	586	215	130	2 223	2 293
Transportation	170	162	22	24	100	104	(14)	(11)	278	279
Depreciation, depletion, amortization and impairment	1 260	709	2 063	297	174	162	32	32	3 529	1 200
Exploration	8	14	59	39	—	—	—	—	67	53
Gain on disposal of assets	—	—	—	—	(4)	(10)	(1)	—	(5)	(10)
Financing expenses (income)	36	40	22	28	(1)	(2)	439	479	496	545
	2 927	2 546	2 292	570	3 823	5 925	219	(222)	9 261	8 819
(Loss) Earnings before Income Taxes	(852)	259	(1 806)	338	662	228	(672)	(553)	(2 668)	272
Income Taxes										
Current	(62)	(5)	36	223	200	65	(100)	(146)	74	137
Deferred	(174)	84	(579)	(83)	(36)	(10)	54	60	(735)	51
	(236)	79	(543)	140	164	55	(46)	(86)	(661)	188
Net (Loss) Earnings	(616)	180	(1 263)	198	498	173	(626)	(467)	(2 007)	84
Capital and Exploration Expenditures	1 267	954	375	449	356	379	32	118	2 030	1 900



Fort Hills oil sands project

- Located in Alberta's Athabasca region, 90km north of Fort McMurray
- Recognized as one of the best underdeveloped oil sands mining assets in the region
- Project co-owners are: Suncor, Total E&P Canada, Teck Resources
- Scheduled production as early as Q4 2017
- 90% of planned production capacity of 180,000 barrels/day within the first 12 months
- Expected mine life of 50 years at planned production rate



Executive Profile

Industry Analysis



Suncor

Husky

Imperial

Steve Williams (President and CEO)

- With Suncor since 2002
- B.Sc. in chemical engineering at Exeter University
- Graduate of the advanced management program at Harvard Business School
- Graduate of business economics program at Oxford University
- More than 38 years of international energy industry experience



Eric Axford (VP, Business Services)

- With Suncor since 1996
- B.A. in economics from University of Calgary
- M.A. in business administration from University of Alberta
- responsible for ensuring safe, reliable and environmentally responsible operations across Suncor's integrated businesses



Alister Cowan (VP and CFO)

- With Suncor since 2014
- B.A. in Accounting and Finance from Heriot-Watt University
- Chartered Accountant
- Was previously the CFO of Husky Energy
- directs Suncor's financial operations, ensuring Suncor has the financial strength necessary to support the company's strategic plans



Paul Gardner (VP, Human Resources)

- With Suncor since 2007
- B.A. in public administration from Carleton University
- M.A. in industrial relations from Queen's University
- responsible for ensuring proper human resources strategies and programs are in place to support Suncor's base business, long-term growth strategies



Mark Little (VP, Upstream)

- Holds degrees in both computer science and applied petroleum engineering technology
- he leads Suncor's upstream organization including all Suncor's operated and non-operated oil sands, in situ and conventional exploration and production worldwide



Mike MacSween (VP, Major Projects)

- With Suncor since 1996
- B.Sc. in chemical engineering from University of New Brunswick
- M.A. of business administration from Queen's University
- leads major project engineering, procurement and construction (EPC)



Janice Odegaard (VP, Legal and General Counsel)

- With Suncor since 1995
- B.A. in economics from Brandon University
- Law degree from University of Calgary
- responsible for all legal matters across the corporation



Steve Reynish (VP, Strategy and Corporate Development)

- M.A. in mining engineering and business administration
- leads the company's strategy and corporate development, joint venture governance and technology development



Industry Analysis



Suncor

Husky

Imperial

Kris Smith (VP, Refining and Marketing)

- With Suncor since 2000
- B.A. with honors from University of Alberta
- B.A. of laws from Dalhousie University
- responsibility for operations at four refineries, as well as industrial and retail marketing of refined products and lubricants under the Petro-Canada™ brand



Dividend Safety

- Suncor is committed to providing value to shareholders
- Consistent and growing dividends



Suncor's Financial Statements

Industry Analysis



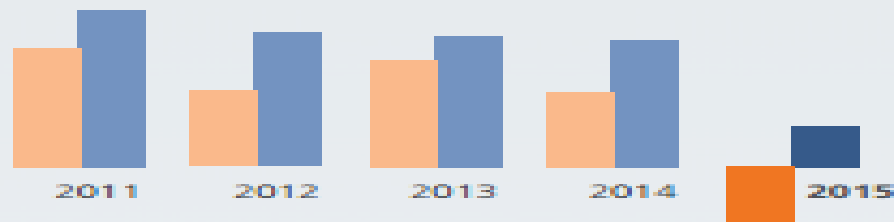
Suncor

Husky

Imperial

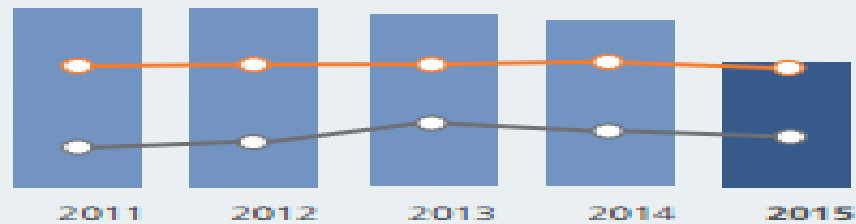
FINANCIAL HIGHLIGHTS

Earnings (\$ millions)



	2011	2012	2013	2014	2015
Net earnings (loss)	4,304	2,740	3,911	2,699	(1,995)
Operating earnings	5,674	4,847	4,700	4,620	1,465

Capital Expenditures and Cash Flow from Operations (\$ millions)



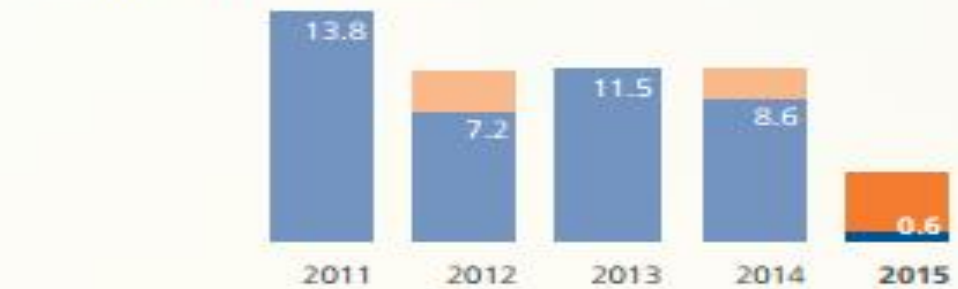
	2011	2012	2013	2014	2015
Capital expenditures	6,291	6,370	6,380	6,530	6,220
Sustaining capital and dividends	3,942	4,010	4,820	4,504	4,250
Cash flow from operations	9,746	9,733	9,412	9,058	6,806

Production (mboe/d)



	2011	2012	2013	2014	2015
Exploration and Production	120.6	136.0	132.6	113.0	114.4
Divested Production	86.1	53.9	37.3	-	-
Oil Sands	339.3	359.2	392.5	421.9	463.4
Total	546.0	549.1	562.4	534.9	577.8

Return on Capital Employed (%)



Excluding the impact of significant impairments, ROCE for 2012 was 11.4%, 2014 was 11.5% and 2015 was 4.2%.

CONSOLIDATED BALANCE SHEETS

(\$ millions)	Notes	December 31 2015	December 31 2014
Assets			
Current assets			
Cash and cash equivalents	13	4 049	5 495
Accounts receivable		2 751	4 275
Inventories	15	3 090	3 466
Income taxes receivable		538	680
Total current assets		10 428	13 916
Property, plant and equipment, net	16, 32, 33 and 34	61 151	59 800
Exploration and evaluation	17	1 681	2 248
Other assets	18	1 153	598
Goodwill and other intangible assets	19	3 079	3 083
Deferred income taxes	11	35	26
Total assets		77 527	79 671
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term debt	20	747	806
Current portion of long-term debt	20	70	34
Accounts payable and accrued liabilities		5 306	5 704
Current portion of provisions	23	769	752
Income taxes payable		244	1 058
Total current liabilities		7 136	8 354
Long-term debt	20	14 486	12 489
Other long-term liabilities	21	1 573	1 787
Provisions	23	5 339	4 895
Deferred income taxes	11	9 954	10 543
Shareholders' equity		39 039	41 603
Total liabilities and shareholders' equity		77 527	79 671



CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the years ended December 31 (\$ millions)	Notes	2015	2014
Revenues and Other Income			
Operating revenues, net of royalties	6	29 208	39 862
Other income	7	472	628
		29 680	40 490
Expenses			
Purchases of crude oil and products		11 590	17 528
Operating, selling and general	8 and 25	8 607	9 541
Transportation		1 085	985
Depreciation, depletion, amortization and impairment	9 and 16	7 500	6 140
Exploration		478	367
Gain on disposal of assets	35 and 36	(110)	(90)
Financing expenses	10	2 557	1 429
		31 707	35 900
(Loss) Earnings before Income Taxes		(2 027)	4 590
Income Taxes			
Current	11	892	2 115
Deferred		(924)	(224)
		(32)	1 891
Net (Loss) Earnings		(1 995)	2 699

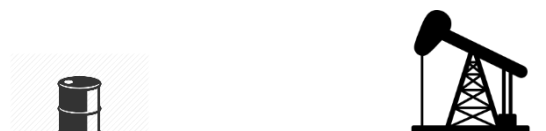


CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (\$ millions)	Notes	2015	2014
Operating Activities			
Net earnings		(1 995)	2 699
Adjustments for:			
Depreciation, depletion, amortization and impairment		7 500	6 140
Deferred income taxes		(924)	(224)
Accretion		197	198
Unrealized foreign exchange loss on U.S. dollar denominated debt		1 967	839
Change in fair value of derivative contracts		130	(270)
Gain on disposal of assets		(110)	(90)
Share-based compensation		18	106
Exploration		255	104
Settlement of decommissioning and restoration liabilities		(302)	(364)
Other		70	(80)
Decrease (increase) in non-cash working capital	14	78	(122)
Cash flow provided by operating activities		6 884	8 936
Investing Activities			
Capital and exploration expenditures		(6 667)	(6 961)
Acquisitions	32, 33 and 34	(360)	(121)
Proceeds from disposal of assets	35	277	224
Other investments		(18)	(64)
Decrease (increase) in non-cash working capital	14	(3)	59
Cash flow used in investing activities		(6 771)	(6 863)



Financing Activities		
Net change in debt		(258) (81)
Repayment of long-term debt		— (452)
Issuance of long-term debt		— 1 575
Issuance of common shares under share option plans		95 247
Purchase of common shares for cancellation, net of option premiums	24	(43) (1 671)
Dividends paid on common shares		(1 648) (1 490)
Cash flow used in financing activities		(1 854) (1 872)
(Decrease) Increase in Cash and Cash Equivalents		(1 741) 201
Effect of foreign exchange on cash and cash equivalents		295 92
Cash and cash equivalents at beginning of year		5 495 5 202
Cash and Cash Equivalents at End of Year		4 049 5 495
Supplementary Cash Flow Information		
Interest paid		881 752
Income taxes paid		1 424 2 697



7. CAPITAL INVESTMENT UPDATE

Capital and Exploration Expenditures by Segment

Year ended December 31 (\$ millions)	2015	2014	2013
Oil Sands	4 181	3 826	4 311
Exploration and Production	1 459	1 819	1 483
Refining and Marketing	821	1 021	890
Corporate, Energy Trading and Eliminations	206	295	93
Total	6 667	6 961	6 777
Less: capitalized interest on debt	(447)	(431)	(397)
	6 220	6 530	6 380

Capital and Exploration Expenditures by Type⁽¹⁾⁽²⁾⁽³⁾

Year ended December 31, 2015 (\$ millions)	Sustaining	Growth	Total
<i>Oil Sands Base</i>	1 056	261	1 317
<i>In Situ</i>	603	19	622
<i>Oil Sands Ventures</i>	98	1 844	1 942
Oil Sands	1 757	2 124	3 881
Exploration and Production	20	1 305	1 325
Refining and Marketing	766	44	810
Corporate, Energy Trading and Eliminations	59	145	204
	2 602	3 618	6 220



RECOMMENDATION

BUY

Industry Analysis



Suncor

Husky

Imperial

Husky





Profile Snapshot:

Market Capitalization: 16.46B CAD

Headquarter: Calgary

Incorporated: 1938

Number of Employees: 5,500

Revenue (2015): 16.4B after royalties

Quarterly Dividends: \$0.3



Industry Analysis

Suncor

Husky

Imperial



Toronto Stock Exchange: HSE
Husky Energy Inc

Delayed quote ⓘ

\$15.91

Today's change

+0.37 +2.38%

P/E

Negative

Market cap

16.00B

52-week range



Updated March 30 1:22 PM EDT. Delayed by at least 15 minutes.

Six Month Performance

March 30 1:38 PM EDT.

6 months



KEY COMPANY METRICS

Open	\$15.74
Previous close	\$15.54
High	\$16.30
Low	\$15.70
Bid / Ask ⓘ	\$15.90 / \$15.91
YTD % change	+11.18%
Volume ⓘ	697,460
Average volume (10-day)	1,713,359
Average volume (1-month)	1,864,493
Average volume (3-month)	1,758,740
52-week range	\$11.34 to \$27.47

Industry Analysis

Suncor

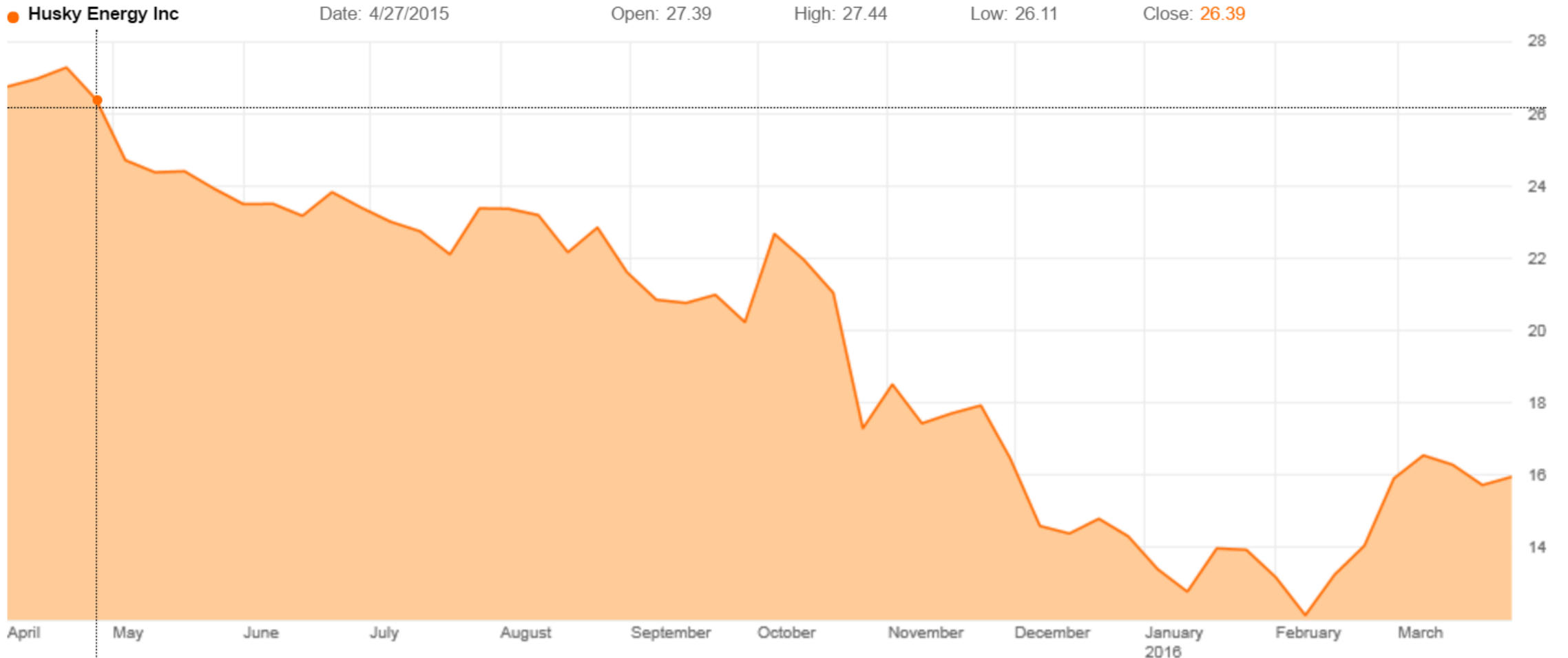


Husky

Imperial



Stock Performance | 1 Year



Industry Analysis

Suncor

Husky

Imperial



Stock Performance | 5 Year

■ Husky Energy Inc

Date: 11/10/2014

Open: 26.75

High: 26.98

Low: 25.86

Close: 26.38



Industry Analysis

Suncor

Husky

Imperial



Stock Performance | Max vs S&P TSX

● Husky Energy Inc
● S&P/TSX Composite X

Date: 3/1/2016

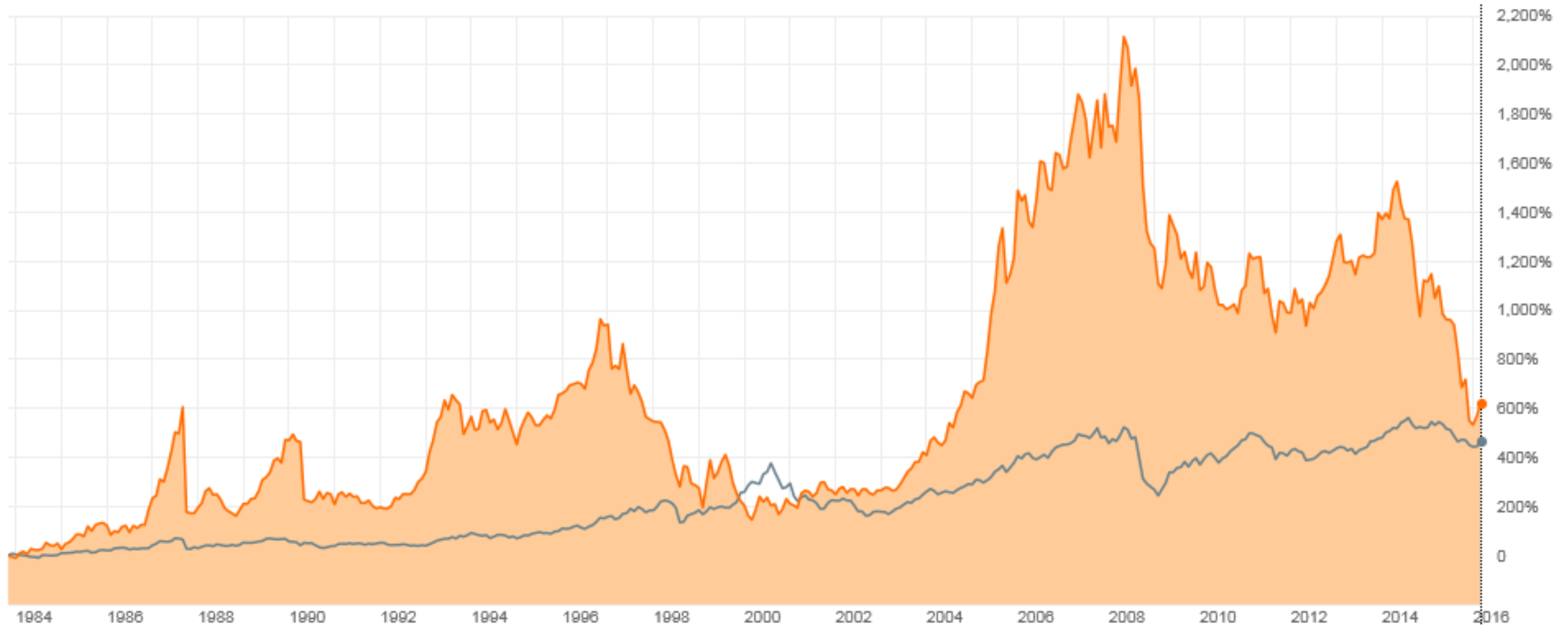
Open: 15.04

High: 17.09

Low: 15.02

Close: 16.02

% Change: 4.72



Industry Analysis

Suncor

Husky

Imperial



Production Capabilities

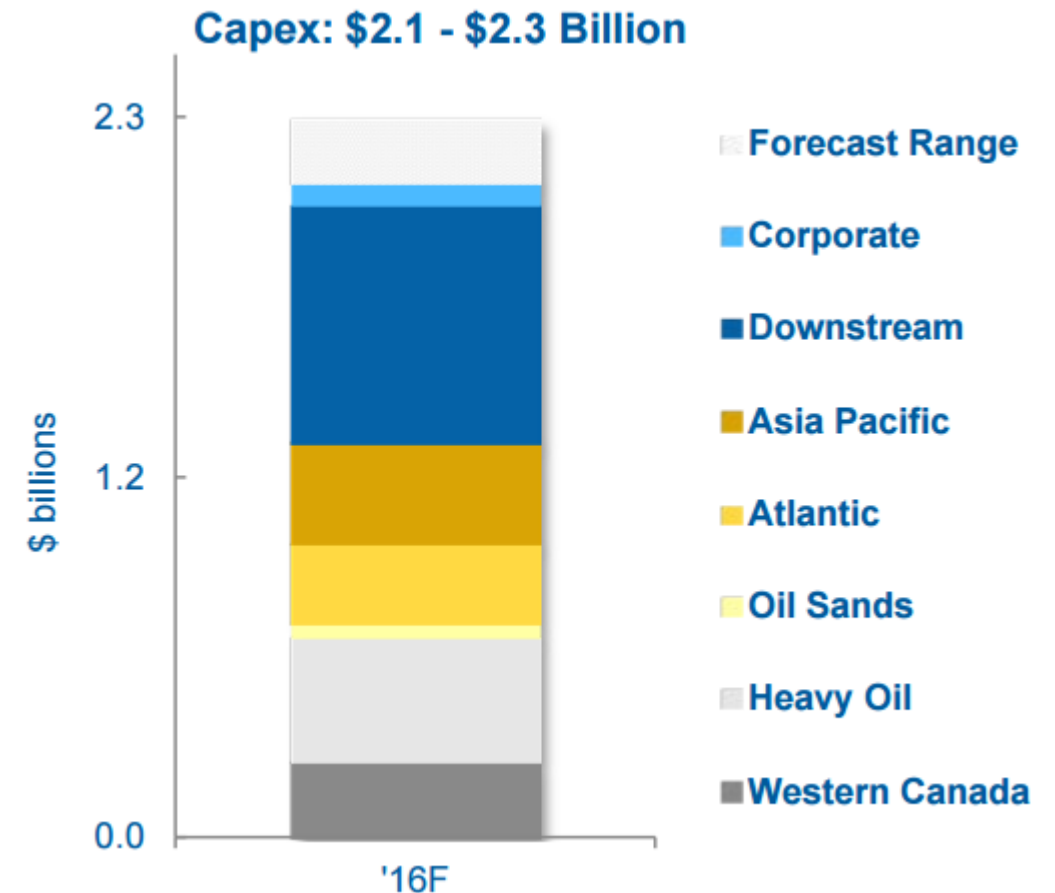
	2015	2014	2013
<hr/>			
Daily Production, before royalties			
Light & Medium crude oil (mbbls/day)	80.5	91.2	95.1
NGL (mbbls/day)	18.2	14.0	9.2
Heavy crude oil (mbbls/day)	69.1	76.8	74.5
Bitumen (mbbls/day)	63.1	54.6	47.7
<hr/>			
	230.9	236.6	226.5
Natural gas (mmcf/day)	689.0	621.0	512.7
Total production (mboe/day)	345.7	340.1	312.0





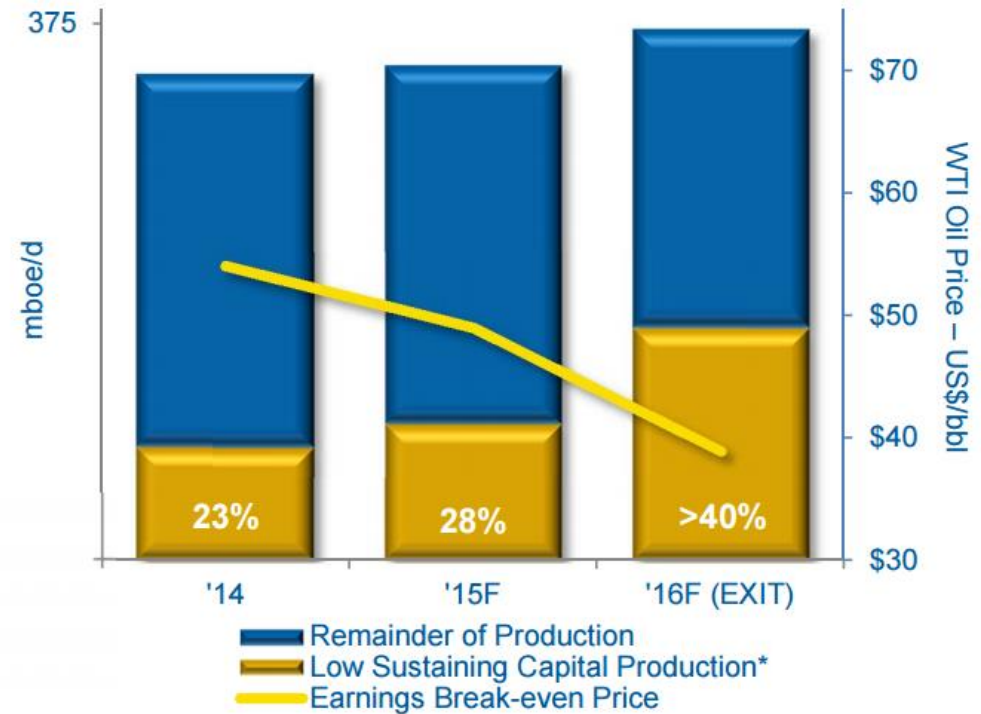
Strategic Focus

- Low sustaining capital business to **reduce breakeven** point
- **Create resilience** through project diversification
- Maintain **sound capital management** by zero new net debt



Reducing Breakeven

- Low sustaining capital projects
- Reduced maintenance cost by 15% - 20%
- Aims to achieve earnings breakeven of \$40/bbl US WTI by 2016



Sound Capital Management

- Zero new net debt in near term
- Maintain strong credit rating
- Reduce CAPEX to balance forecasted Cashflow
- Increase project hurdle rate to 10%

Current Credit Ratings

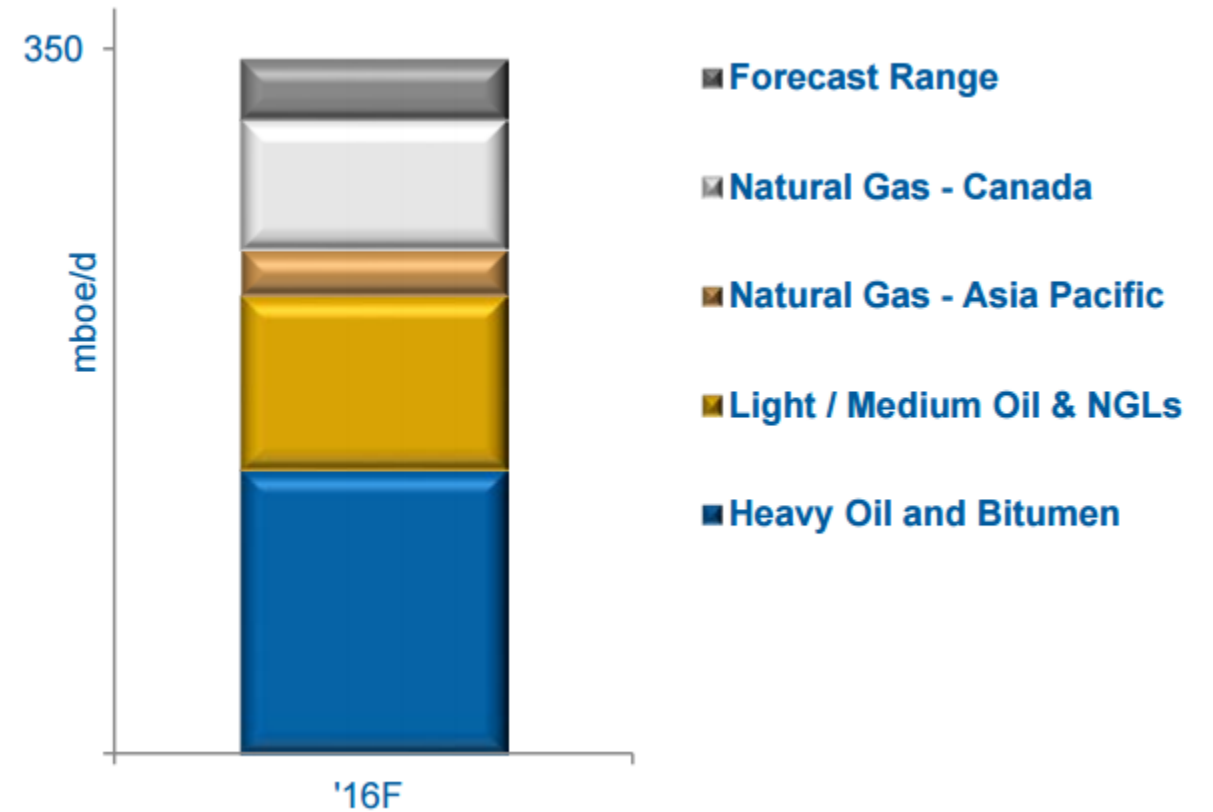
	Moody's	S&P*	DBRS
Rating	Baa2	BBB+	A (low)

*Negative outlook

Immunization to market volatility

- Diversification in Natural Gas
- Fixed price contracts
- Realized international price

Production Guidance





Sales Breakdown

Sales per Businesses					
	2014		2015		Delta
	CAD (in Million)	%	CAD (in Million)	%	
Downstream	16,895	69.9%	11,550	70.6%	-31.64%
Upstream	9,876	40.9%	6,244	38.2%	-36.78%

Sales per Regions					
	2014		2015		Delta
	CAD (in Million)	%	CAD (in Million)	%	
United States	11,725	48.5%	8,638	52.8%	-26.33%
Canada	11,590	48%	6,487	39.7%	-44.03%
Other International	777.00	3.2%	-	-	-
China	-	-	1,244	7.6%	-





Debt

0.41

Equity

- Commercial Papers
- Notes
- Syndicated Credit Facility

- Common Shares
- Prefer Shares



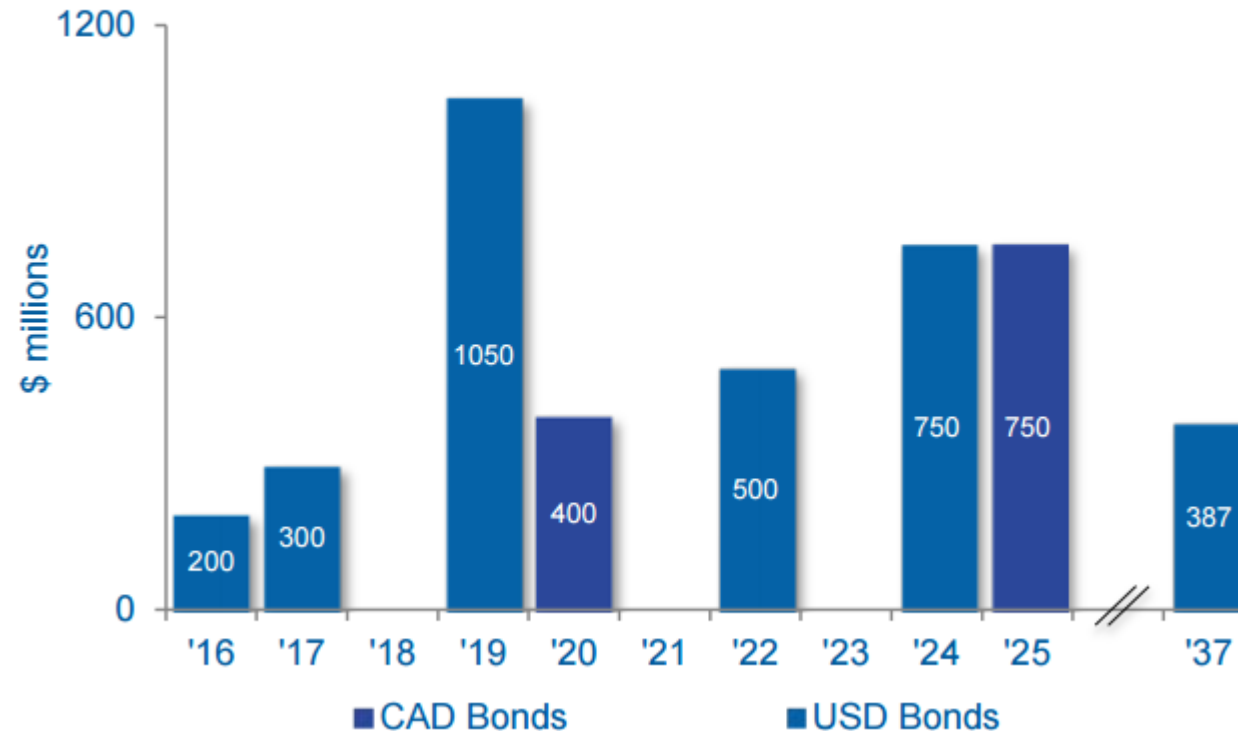


Debt Breakdown

Long-term Debt <i>(\$ millions)</i>	Maturity	Canadian \$ Amount		U.S. \$ Denominated	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Long-term debt					
Syndicated Credit Facility	2018	499	–	–	–
7.55% notes ⁽¹⁾⁽³⁾	2016	–	232	–	200
6.20% notes ⁽¹⁾⁽⁵⁾	2017	415	348	300	300
6.15% notes ⁽¹⁾⁽⁴⁾	2019	415	348	300	300
7.25% notes ⁽¹⁾⁽⁵⁾	2019	1,038	870	750	750
5.00% notes ⁽⁶⁾	2020	400	400	–	–
3.95% notes ⁽¹⁾⁽⁵⁾	2022	692	580	500	500
4.00% notes ⁽¹⁾⁽⁵⁾	2024	1,038	870	750	750
3.55% notes ⁽⁶⁾	2025	750	–	–	–
6.80% notes ⁽¹⁾⁽⁵⁾	2037	535	449	387	387
Debt issue costs ⁽²⁾		(27)	(26)	–	–
Unwound interest rate swaps <i>(note 24)</i>		4	26	–	–
Long-term debt		5,759	4,097	2,987	3,187



Debt, Preferred Shares and Credit Facility Maturities



\$4 billion in committed credit lines, of which \$2.4 billion is undrawn
 \$2 billion credit facility, extended from 2016 to 2020





Share Capital

Common Shares

	Number of Shares
December 31, 2014	983,738,062
Stock dividends	590,853
December 31, 2015	984,328,915

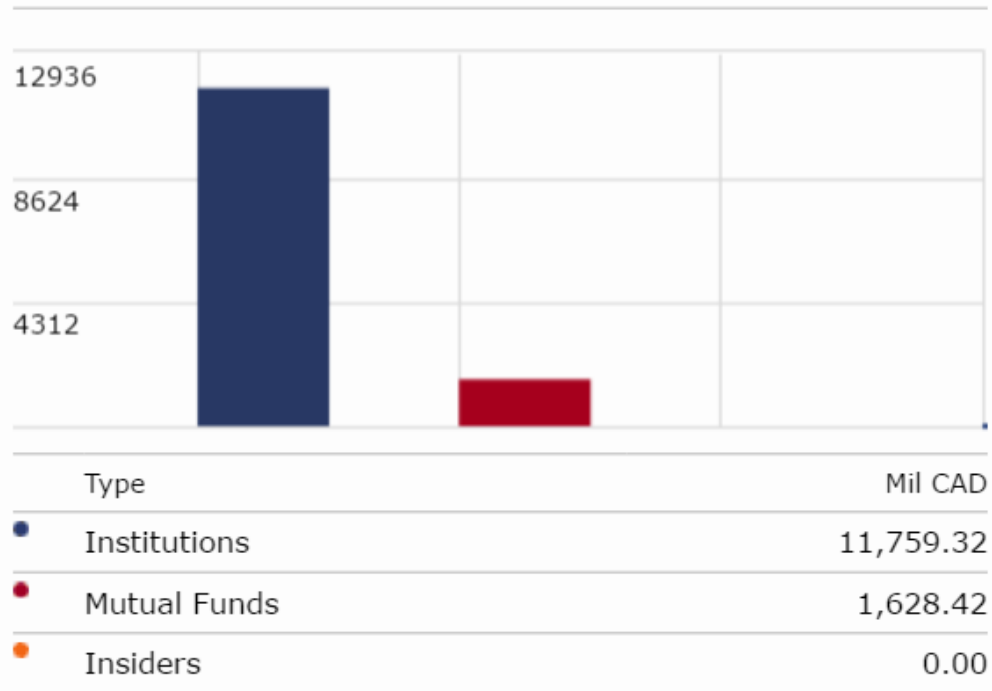
Cumulative Redeemable Preferred Shares

	Number of Shares
December 31, 2013	12,000,000
Series 3 issued, net of share issue costs	10,000,000
December 31, 2014	22,000,000
Series 5 issued, net of share issue costs	8,000,000
Series 7 issued, net of share issue costs	6,000,000
December 31, 2015	36,000,000



Stockholder Analysis

Equity Ownership

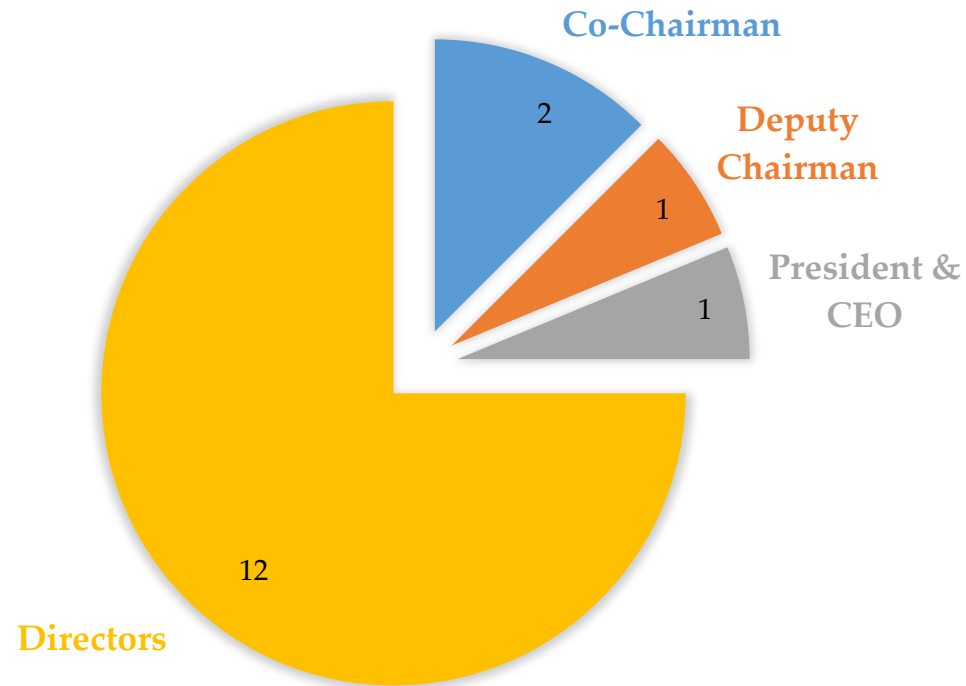


Funds		
Institutions		
Name	Shares Held	% Total Shares Held
IG/GWL Dividend GIF 75/75 B	24,154,666	2.45
RBC Canadian Dividend GIF Series 1	9,724,746	0.99

Funds		
Institutions		
Name	Shares Held	% Total Shares Held
L.F. Investments S.à r.l.	349,869,015	35.57
Hutchison Whampoa Europe Investments Sà rl	334,141,932	33.97



BOARD OF DIRECTORS



Li, Victor T.K.

Co-Chair & Director - 2000

- Eldest Son of Mr. Li Ka Shing
- Managing Director, Deputy Chairman of Cheung Kong (Holdings) Limited, CK Hutchison Holdings Limited, Hutchison Whampoa Limited
- Non-Executive Director of HSBC
- Deputy Chairman of Li Ka Shing Foundation Limited
- Council for Sustainable Development of the HKSAR (Member)
- Vice Chairman of the Hong Kong General Chamber of Commerce

Academic Background:

- **Doctor of Law**, University of Western Ontario (2009)
- **Master of Science and Bachelor of Science**, Stanford University (1987)



Fok, Canning K.N.

Co-Chair & Chair of Compensation Committee - 2000

- Chairman and Director of Hutchison Telecommunications Hong Kong Holdings Limited
- Deputy Chairman and an Executive Director of Cheung Kong Infrastructure Holdings Limited
- Non-Executive Director of Cheung Kong (Holdings) Limited, CK Hutchison Holdings Limited
- Institute of Chartered Accountants in Australia since 1979

Prior Positions:

- Chairman and an Executive Director of Hutchison Harbour Ring Limited (2014)

Academic Background:

- **Bachelor of Arts** St. John's University, Minnesota (1974)
- Diploma in **Financial Management** University of New England, Australia (1976)





Shurniak, William

Deputy Chair & Chair of Audit - 2000

- Director and Chairman of Northern Gas Networks Limited
- Non-Executive Director of Cheung Kong (Holdings)

Prior Positions:

- Director of Hutchison Whampoa Limited (2011)
- Director and Chairman of ETSA Utilities and Powercor Australia Limited (2000)
- Director of Envestra Limited (2000)
- Director of CrossCity Motorways Pty Ltd. (2002) and Lane Cove Tunnel Company Pty Ltd. (2004)

Academic Background:

- **Honorary Doctor of Laws** University of Western Ontario (2000), and University of Saskatchewan (1998)





Ghosh, Asim

President & Chief Executive Officer - 2010

- Independent Director of Kotak Mahindra Bank Limited
- Director of Li Ka Shing (Canada) Foundation
- Board of Directors of the Canadian Council of Chief Executives (Member)

Prior Positions:

- Managing Director and CEO of Vodafone India Limited (2009)
- Chief Executive Officer of the A S Watson Industries (1998)
- Chairman of the Cellular Operators Association of India

Academic Background:

- **MBA** Wharton School, University of Pennsylvania (1971)
- Undergraduate in **Electrical Engineering**, Indian Institute of Technology (1969)



Bradley, Stephen E.

Director & Audit Committee - 2010

- Director of Broadlea Group Ltd
- Vice Chairman, Beijing Uni-Alliance Property Development Co. Ltd
- Director of Swire Properties Ltd. (Hong Kong)

Prior Positions:

- British Diplomatic Service (Retired 2009)
- Minister, Deputy Head of Mission & Consul-General, Beijing (2003)
- Lloyd George Investment Management (now part of BMO Global Asset Management) (1995)
- Marketing Director, Guinness Peat Aviation (1988)

Academic Background:

- **Bachelor of Arts** Balliol College, Oxford University (1980)
- **Post-graduate diploma** Fudan University, Shanghai (1981)



Glynn, Martin J.G.

Director & Chair of Corporate Governance - 2010

- Director of Sun Life Financial Inc.
- Director of Public Sector Pension Investment Board
- Chair of UBC Investment Management Trust Inc.

Prior Positions:

- President and Chief Executive Officer of HSBC USA (2006)
- President and Chief Executive Officer of HSBC Canada (2003)

Academic Background:

- **MBA** University of British Columbia (1976)
- **Bachelor of Arts (Honours)** Carleton University, Canada (1974)





Koh, Poh Chan

Director - 2000

- Finance Director of Harbour Plaza Hotel Management (International) Ltd.
- Fellow Member (FCA) of the Institute of Chartered Accountants
- Associate of the Canadian Institute of Chartered Accountants (CPA, CA)
- Chartered Institute of Taxation in the U.K. (CTA)



Academic Background:

- Institute of Chartered Accountants of Ontario, Canada (1980)
- **Graduate** at London School of Accountancy (1971)

Kwok, Eva L.

Director - 2000

- Director and Chief Executive Officer of Amara Holdings Inc.
- Director of CK Life Sciences Int'l. Inc
- Director of Li Ka Shing (Canada) Foundation
- Director of Cheung Kong Infrastructure Holdings Limited

Prior Positions:

- Director of Shoppers Drug Mart Corporation (2006)
- Director of Bank of Montreal Group of Companies (2009)

Academic Background:

- Master of Science University of London (1967)



Kwok, Stanley T.L.

Director & Chair of Health and Safety - 2000

- Director and President of Stanley Kwok Consultants
- Director and President of Amara Holdings Inc.
- Director of Cheung Kong (Holdings) Limited, CK Hutchison Holdings Limited
- Director of CTC Bank of Canada

Academic Background:

- **Bachelor of Science (Architecture)** St. John's University, Shanghai (1949)
- **Diploma** from the Architectural Association School of Architecture in London, England (1954)



Ma, Frederick S.H

Director & Member of Audit Committee - 2010

Director of:

- Agricultural Bank of China Limited
- Aluminum Corporation of China Limited
- Hutchison Port Holdings Management Pte.
- Mass Transit Railway Corporation Limited
- COFCO Corporation
- China Mobile Communications Corporation

Prior Positions:

- Secretary for Commerce and Economic Development HK (2007)
- Honorary Professor of the School of Economics and Finance at the University of Hong Kong (2008)

Academic Background:

- Honorary **Doctor of Social Sciences**, Lingnan University (2014)
- Bachelor of Arts (Honours) in **Economics and History**, the University of Hong Kong (1973)



Industry Analysis

Suncor


Husky


Imperial



Magnus, George C.

Director & Member of Audit Committee - 2010

Director of:

- Cheung Kong (Holdings) Limited
- Hutchison Whampoa Limited
- HK Electric Investments Limited
- CK Hutchison Holdings Limited

Prior Positions:

- Chairman of Hong Kong Electric Holdings Limited (2005)
- Deputy Chairman of Hutchison Whampoa Limited (1993)
- Executive Director of Cheung Kong (Holdings) Limited (1985)

Academic Background:

- **Master's in Economics** King's College, Cambridge University (1963)



McGee, Neil D.

Director & Member of Health and Safety - 2012

Director of:

- Managing Director of Hutchison Whampoa Europe Investments
- Executive Director of Power Assets Holdings Limited

Prior Positions:

- Group Finance Director of Power Assets Holdings Limited (2012)
- Chief Financial Officer of Husky Energy(2005)

Academic Background:

- **Bachelor of Arts** and **Bachelor of Laws**, Australian National University





Russel, Colin S.

Director & Member of Health and Safety - 2012

- Founder and Managing Director of Emerging Markets Advisory Services Ltd
- Director of Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Pte. Ltd.

Prior Positions:

- Canadian Ambassador to Venezuela
- Consul General for Canada in Hong Kong
- Director for Japan Trade in Ottawa

Academic Background:

- Professional Engineer and **Qualified Commercial Mediator**
- **MBA** McGill University, Canada (1971)
- Degree in **Electrical Engineering** (1962)



Industry Analysis

Suncor

Husky

Imperial

Shaw, Wayne E

Director & Member of Health and Safety - 2000

- President of Imperial Valley Holdings Ltd
- Director of Li Ka Shing (Canada) Foundation

Prior Positions:

- Senior Partner with Stikeman Elliott LLP, Barristers and Solicitors

Academic Background:

- **Bachelor of Arts** and **Bachelor of Laws**, University of Alberta (1967)
- Member of the **Law Society** of Upper Canada





Sixt, Frank J

Director & Member Compensation Committee - 2000

- Group Finance Director and Executive Director of Hutchison Whampoa Limited
- Chairman of TOM Group Limited
- Director of Cheung Kong Infrastructure Holdings Limited
- Director of Li Ka Shing (Canada) Foundation
- Trustee-manager of Hutchison Port Holdings Trust

Prior Positions:

- Director of Hutchison Telecommunications International Limited (2010)

Academic Background:

- **Master's in Arts** McGill University, Canada (1978)
- Bachelor's in **Civil Law** Université de Montréal (1978)
- Member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada





Financial Analysis

Industry Analysis

Suncor

Husky

Imperial





10 Year Performance

Selected Ten-year Financial and Operating Summary

(\$ millions, except where indicated)

	2015	2014	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽²⁾⁽³⁾	2009 ⁽²⁾⁽³⁾	2008 ⁽²⁾⁽³⁾	2007 ⁽²⁾⁽³⁾	2006 ⁽²⁾⁽³⁾
Financial Highlights										
Gross Revenues and Marketing and Other	16,801	25,122	24,181	22,948	22,829	18,085	15,935	26,744	16,583	13,478
Net earnings (loss)	(3,850)	1,258	1,829	2,022	2,224	947	1,416	3,751	3,201	2,734
Earnings (loss) per share										
Basic	(3.95)	1.26	1.85	2.06	2.40	1.11	1.67	4.42	3.77	3.21
Diluted	(4.01)	1.20	1.85	2.06	2.34	1.05	1.67	4.42	3.77	3.21
Expenditures on PP&E ⁽⁴⁾	3,005	5,023	5,028	4,701	4,618	3,571	2,797	4,108	2,974	3,201
Total debt ⁽⁶⁾	6,756	5,292	4,119	3,918	3,911	4,187	3,229	1,957	2,814	1,611
Debt to capital employed (percent) ⁽⁵⁾	28.9	20	17	17	18	22	18	12	19	14



Consolidated Balance Sheets

(millions of Canadian dollars)

	December 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents (note 4)	70	1,267
Accounts receivable (notes 5, 24)	1,014	1,324
Income taxes receivable	312	353
Inventories (note 6)	1,247	1,385
Prepaid expenses	271	166
	2,914	4,495
Restricted cash (note 7, 16)	121	–
Exploration and evaluation assets (note 8)	1,091	1,149
Property, plant and equipment, net (note 9)	27,634	31,987
Goodwill (note 10)	700	746
Investment in joint ventures (note 11)	359	237
Long-term income tax receivable	109	109
Other assets	128	125
Total Assets	33,056	38,848

Observations:

1) 70 mil (Exchange gains), effectively Zero Cash

2) Lowest Value of inventory in 5 years

3) Substantial write-off in Property, plant and equipment



	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 13)</i>	2,527	2,989
Short-term debt <i>(note 14)</i>	720	895
Long-term debt due within one year <i>(note 14)</i>	277	300
Contribution payable due within one year <i>(note 11)</i>	210	1,528
Asset retirement obligations <i>(note 16)</i>	102	97
	3,836	5,809
Long-term debt <i>(note 14)</i>	5,759	4,097
Other long-term liabilities <i>(note 15)</i>	743	585
Contribution payable <i>(note 11)</i>	138	–
Asset retirement obligations <i>(note 16)</i>	2,882	2,968
Deferred tax liabilities <i>(note 17)</i>	3,112	4,814
Commitments and contingencies <i>(note 22)</i>		
Total Liabilities	16,470	18,273

Observations:

1) Highest portion of debt in the company in decades

2) Long Term Debt increased by 73% since 2013





Shareholders' equity		
Common shares <i>(note 18)</i>	7,000	6,986
Preferred shares <i>(note 18)</i>	874	534
Retained earnings	7,589	12,666
Other reserves	1,123	389
Total Shareholders' Equity	16,586	20,575
Total Liabilities and Shareholders' Equity	33,056	38,848



Consolidated Statements of Income (Loss)

	Year ended December 31,	
<i>(millions of Canadian dollars, except share data)</i>	2015	2014
Revenues, net of royalties	16,369	24,092
Expenses		
Purchases of crude oil and products	9,397	14,409
Production, operating and transportation expenses <i>(note 27)</i>	2,994	3,119
Selling, general and administrative expenses <i>(note 27)</i>	342	462
Depletion, depreciation, amortization and impairment <i>(notes 9, 10)</i>	8,644	4,010
Exploration and evaluation expenses <i>(note 8)</i>	447	214
Other – net <i>(note 9)</i>	(309)	(56)
	21,515	22,158
Earnings (loss) from operating activities	(5,146)	1,934
Earnings (loss) before income taxes	(5,371)	1,784
Net earnings (loss)	(3,850)	1,258

Observations:

- 1) Heavies loss in decades
- 2) Long Term Debt increased by 73% since 2013



Upstream Operations

	2015	2014	2013	2012 ⁽¹⁾	2011 ⁽¹⁾
Daily production, before royalties					
Crude oil & NGLs (mboe/day)	230.9	236.6	226.5	209.2	211.3
Natural gas (mmcf/day)	689.0	621.0	512.7	554.0	607.0
Total production (mboe/day)	345.7	340.1	312.0	301.5	312.5
Total proved reserves, before royalties (mmboe) ⁽⁶⁾	1,324	1,279	1,265	1,192	1,172

Observations:

1. Steady increase in Natural Gas Production while keeping others constant





(\$ millions)	Upstream									
	Exploration and Production					Infrastructure and Marketing				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Revenues, net of royalties	4,942	7,604	6,469	5,888	6,431	1,302	2,272	2,446	2,775	2,039
Expenses										
Purchase of crude oil and products ⁽²⁾	41	96	91	73	99	1,123	2,056	2,004	2,258	1,818
Production and operating expenses ⁽³⁾	2,076	2,172	2,016	1,875	1,751	37	32	21	12	6
Selling, general and administrative expenses	237	253	240	175	153	7	8	12	21	17
Depletion, depreciation, amortization and impairment	7,993	3,434	2,515	2,121	2,018	25	25	20	22	24
Exploration and evaluation expenses	447	214	246	344	470	–	–	–	–	–
Other – net	(51)	(60)	(35)	(105)	(261)	(5)	(2)	(3)	–	1
Total Expenses	10,743	6,109	5,073	4,483	4,230	1,187	2,119	2,054	2,313	1,866
Earnings (loss) from operating activities	(5,801)	1,495	1,396	1,405	2,201	115	153	392	462	173

Downstream Operations

	2015	2014	2013	2012 ⁽¹⁾	2011 ⁽¹⁾
Upgrading					
Synthetic crude oil sales (mbbls/day)	51.1	53.3	50.5	60.4	55.3
Upgrading differential (\$/bbl)	18.66	21.80	29.14	22.34	27.34
Canadian Refined Products					
Fuel sales (million of litres/day) ⁽²⁾	7.6	8.0	8.1	8.7	9.5
Refinery throughput					
Prince George refinery (mbbls/day)	10.7	11.7	10.3	11.1	10.6
Lloydminster refinery (mbbls/day)	28.1	28.8	26.4	28.3	28.1
US Refining and Marketing					
Refinery throughput					
Lima Refinery (mbbls/day)	136.1	141.6	149.4	150.0	144.3
Toledo Refinery (mbbls/day)	63.7	63.2	65	60.6	63.9
Refining Margin (U.S. \$/bbl crude throughput)	10.09	9.37	15.06	17.48	17.60

Observations:

1. Downstream business remains relatively static with minor decline
2. Refining Margins are volatile (negative in 2008)



	Downstream														
	Upgrading					Canadian Refined Products					U.S. Refining and Marketing				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Revenues, net of royalties	1,319	2,212	2,023	2,191	2,217	2,886	4,020	3,737	3,848	3,877	7,345	10,663	10,728	9,856	9,500
Expenses															
Purchase of crude oil and products ⁽²⁾	922	1,676	1,378	1,636	1,628	2,281	3,319	3,134	3,208	3,265	6,455	9,941	9,546	8,544	8,200
Production and operating expenses ⁽³⁾	169	180	161	150	146	238	263	227	184	182	474	472	420	385	391
Selling, general and administrative expenses	4	9	7	3	3	31	44	26	58	49	10	9	4	13	12
Depletion, depreciation, amortization and impairment	106	108	96	102	164	103	102	90	83	80	333	268	233	212	195
Exploration and evaluation expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other – net	(11)	11	(27)	(17)	67	(4)	-	(5)	(2)	-	(236)	-	-	4	-
Total Expenses	1,190	1,984	1,615	1,874	2,008	2,649	3,728	3,472	3,531	3,576	7,036	10,690	10,203	9,158	8,798
Earnings (loss) from operating activities	129	228	408	317	209	237	292	265	317	301	309	(27)	525	698	702



Consolidated Statements of Cash Flows

<i>(millions of Canadian dollars)</i>	Year ended December 31,	
	2015	2014
Operating activities		
Net earnings (loss)	(3,850)	1,258
Items not affecting cash:		
Accretion <i>(note 20)</i>	121	134
Depletion, depreciation, amortization and impairment <i>(notes 9, 10)</i>	8,644	4,010
Inventory write-down to net realizable value <i>(note 6)</i>	22	211
Exploration and evaluation expenses <i>(note 8)</i>	242	6
Deferred income taxes <i>(note 17)</i>	(1,827)	(191)
Foreign exchange	27	71
Stock-based compensation <i>(note 18)</i>	(39)	(17)
Gain on sale of assets	(16)	(36)
Other	5	89
Settlement of asset retirement obligations <i>(note 16)</i>	(98)	(167)
Deferred revenue	102	–
Income taxes paid	(227)	(661)
Interest received	3	7
Change in non-cash working capital <i>(note 21)</i>	651	871
Cash flow – operating activities	3,760	5,585

Observations:

1. Double in impairment charges due to asset write offs

2. Increase in deferred income taxes



Financing activities

Long-term debt issuance <i>(note 14)</i>	9,449	829
Long-term debt repayment <i>(note 14)</i>	(8,500)	(814)
Settlement of interest rate swaps	–	33
Short-term debt <i>(note 14)</i>	(175)	895
Debt issue costs	(7)	–
Proceeds from preferred share issuance, net of share issue costs <i>(note 18)</i>	340	243
Proceeds from exercise of stock options <i>(note 18)</i>	–	1
Dividends on common shares <i>(note 18)</i>	(1,167)	(1,169)
Dividends on preferred shares <i>(note 18)</i>	(36)	(13)
Interest paid	(323)	(284)
Contribution receivable receipt <i>(note 11)</i>	–	143
Other	30	97
Change in non-cash working capital <i>(note 21)</i>	179	33
Cash flow – financing activities	(210)	(6)

Observations:

- 1. Increase issuance of long term debt to finance existing projects
- 2. Sustained dividend payouts, even in 2016



Investing activities

Capital expenditures	(3,005)	(5,023)
Proceeds from asset sales	122	66
Contribution payable payment <i>(note 11)</i>	(1,363)	(106)
Other	(239)	(27)
Change in non-cash working capital <i>(note 21)</i>	(332)	(333)
Cash flow – investing activities	(4,817)	(5,423)
Increase (decrease) in cash and cash equivalents	(1,267)	156
Effect of exchange rates on cash and cash equivalents	70	14
Cash and cash equivalents at beginning of year	1,267	1,097
Cash and cash equivalents at end of year	70	1,267

Observations:

1. Cut back in CAPEX but sharp increase in Contribution Payable associated with expansion in Asian Pacific region

2. Potential Cashflow problems





Risk Measures:

CFO to Debt	0.10
Debt to Equity	0.41
Interest Coverage	18.72

Liquidity:

Quick Ratio	0.36
FCFO	0.19
Inventory Turnover	2.41

Return on Investment:

Return on Equity	-24.3%
Return on Assets	-9.6%
Return on Total Capital	-14.3%



Recommendation

Industry Analysis

Suncor

Husky

Imperial



Strong Project Growth
Prospect
Financial Safety Net from
Controlling Shareholder

Hold

Short Term liquidity Issues
Poor Corporate Governance
(Board of Directors)

Canadian Oil and Gas

Imperial Oil



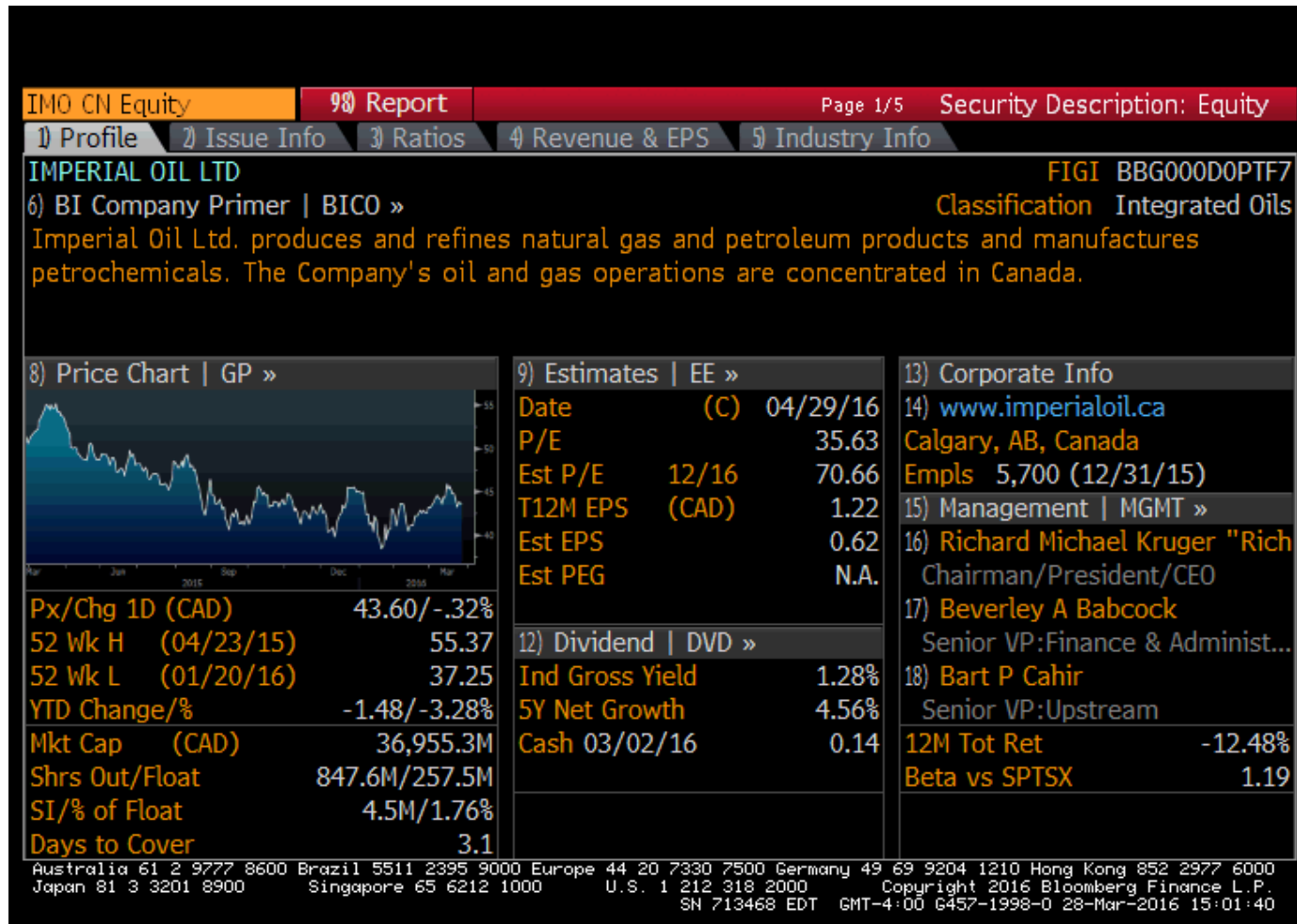
Industry Analysis

Suncor

Husky

 
Imperial

Canadian Oil and Gas



Key Company Metrics:

- ❖ Dividend yield **1.29%**
- ❖ Indicated annual dividend **\$0.56**
- ❖ Trailing P/E **32.92**
- ❖ P/E 1 year forward **71.08**
- ❖ High **\$43.60**
- ❖ Low **\$42.76**
- ❖ Bid/ Ask **\$43.30/\$43.34**

Source: Bloomberg

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Stock Performance | 1 Month



Summary:

❖ Last Price	\$43.60
❖ High	\$46.0
❖ Average	\$44.24
❖ Low	\$42.37

Source: Bloomberg

Industry Analysis

Suncor

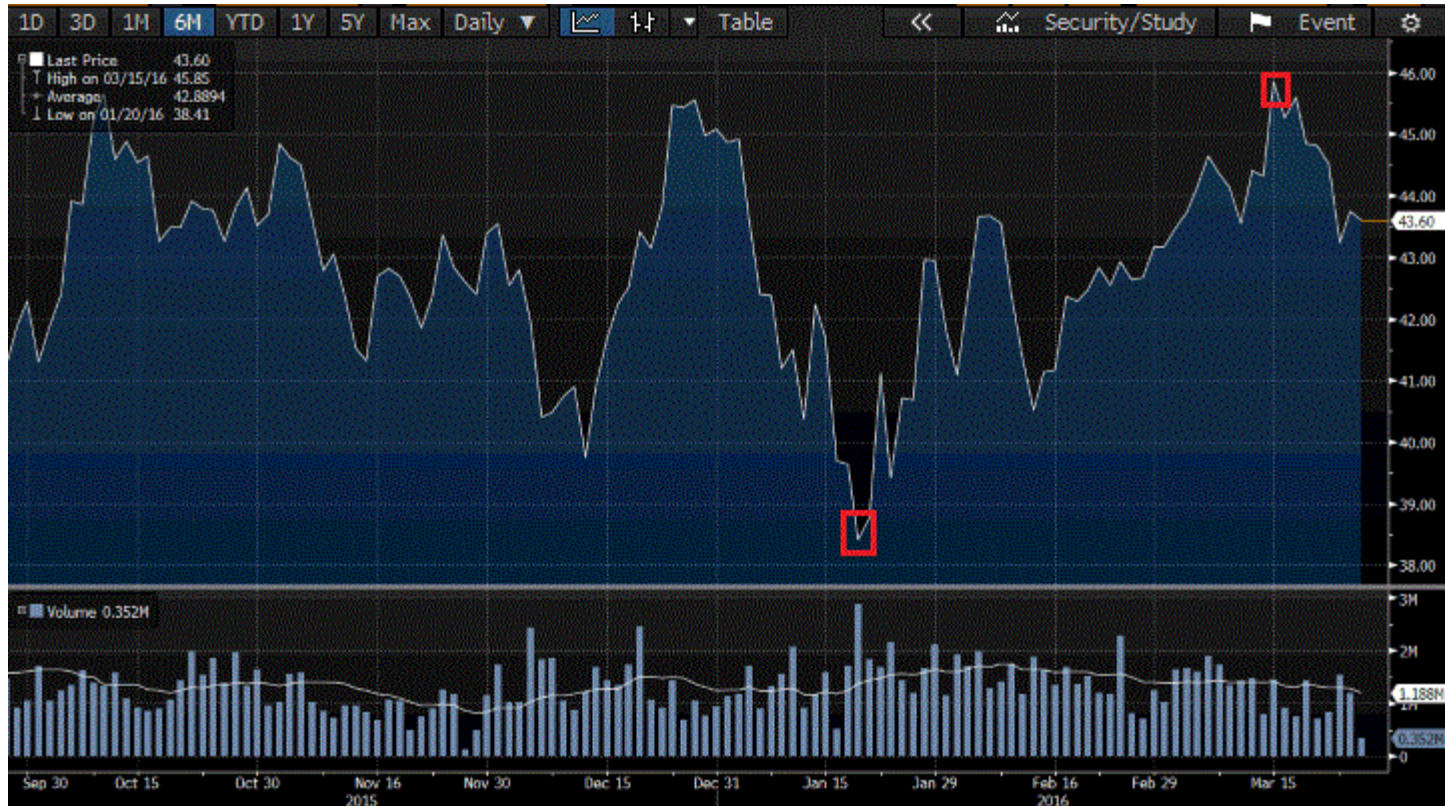
Husky

Imperial



Canadian Oil and Gas

Stock Performance | 6 Month



Summary:

❖ Last Price	\$43.60
❖ High	\$45.85
❖ Average	\$42.8894
❖ Low	\$38.41

Source: Bloomberg

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Stock Performance | 1 Year



Summary:

❖ Last Price	\$43.60
❖ High	\$55.14
❖ Average	\$45.5258
❖ Low	\$38.41

Source: Bloomberg

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Stock Performance | 5 Year



Summary:

❖ Last Price	\$43.60
❖ High	\$57.86
❖ Average	\$46.0264
❖ Low	\$35.1382

Source: Bloomberg

Industry Analysis

Suncor

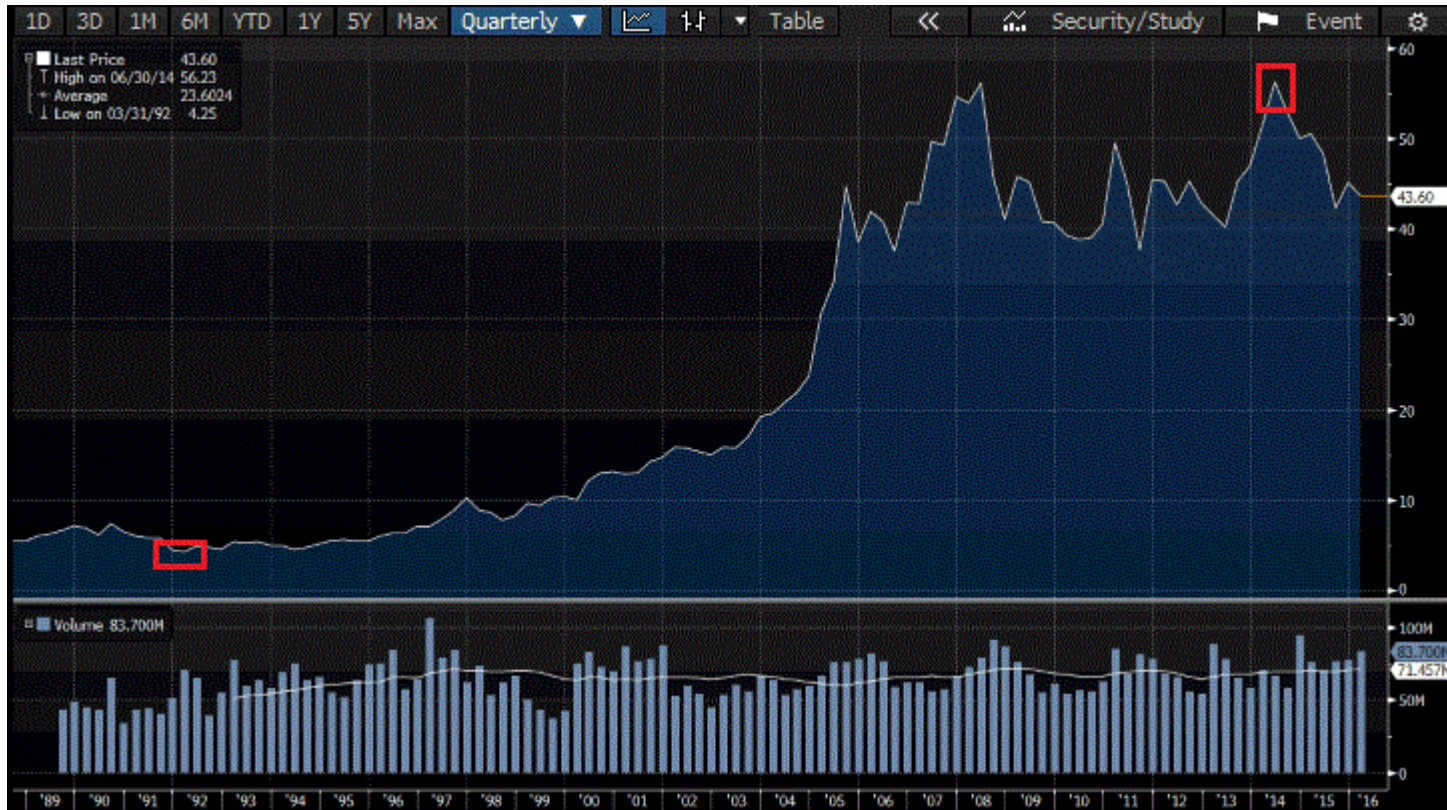
Husky

Imperial



Canadian Oil and Gas

Stock Performance | Max



Summary:

- ❖ Last Price \$43.60
- ❖ **High** \$56.23
- ❖ Average \$23.6024
- ❖ **Low** \$4.25

Source: Bloomberg

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Comparison with SPTSX Index | 1 Month



Summary:

❖ IMO	\$101.537
❖ Close on 02/26	\$99.3712
❖ SPTSX Index	\$104.1462

Source: Bloomberg

Industry Analysis

Suncor

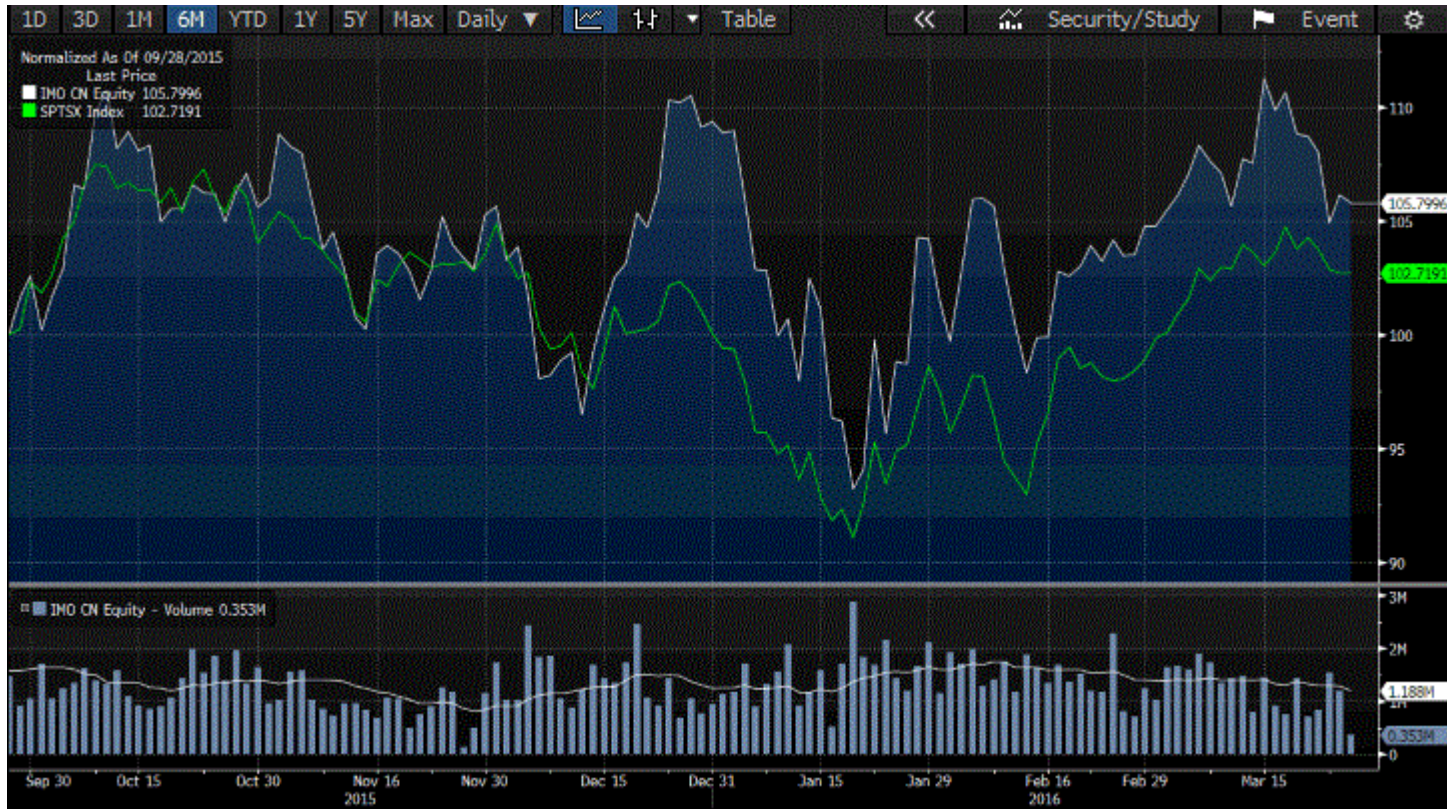
Husky

Imperial



Canadian Oil and Gas

Comparison with SPTSX Index | 6 Month



Summary:

- ❖ IMO \$105.7996
- ❖ SPTSX Index \$102.7191

Source: Bloomberg

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Comparison with SPTSX Index | 1 Year



Summary:

- ❖ IMO \$86.4565
- ❖ SPTSX Index \$90.1831

Source: Bloomberg

Industry Analysis

Suncor

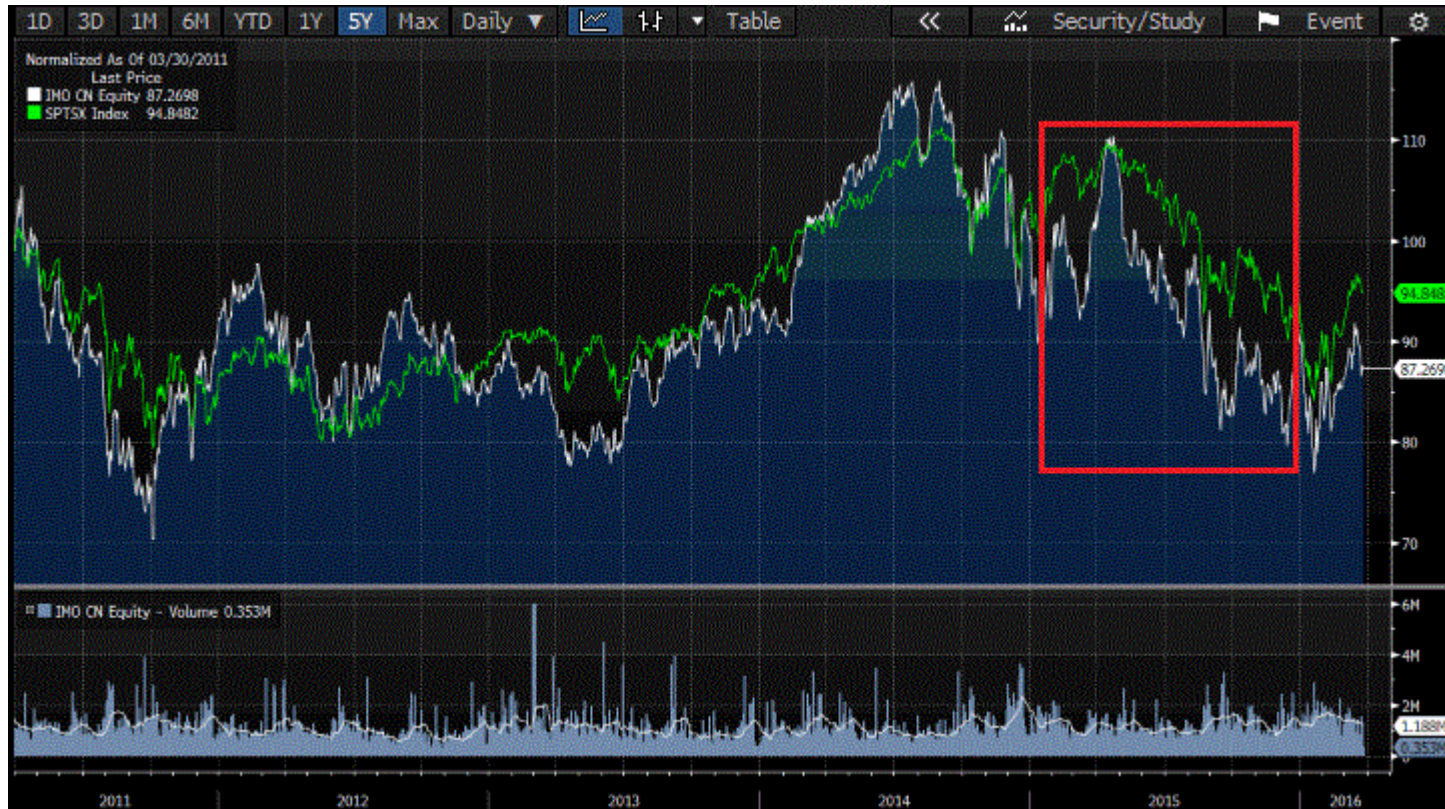
Husky

Imperial



Canadian Oil and Gas

Comparison with SPTSX Index | 5 Year



Summary:

- ❖ IMO \$87.2698
- ❖ SPTSX Index \$94.8492

Source: Bloomberg

Industry Analysis

Suncor

Husky

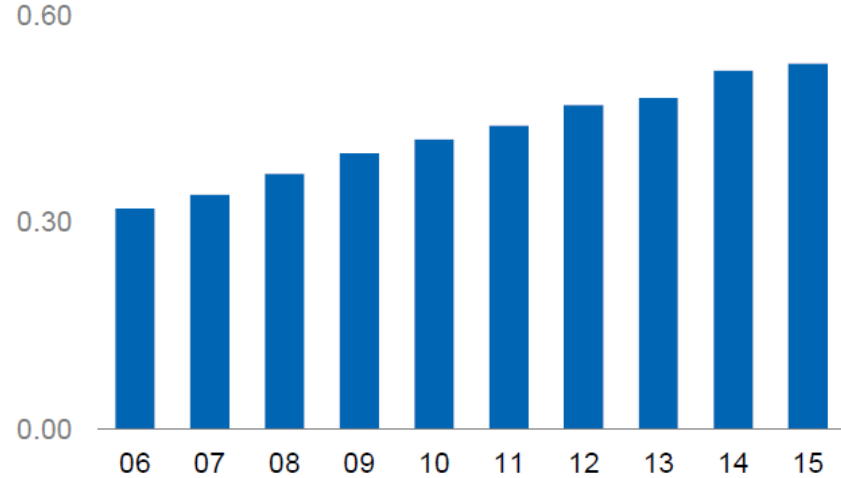
Imperial



Canadian Oil and Gas

Strong Track Record of Dividend Growth

Annual distributions, \$ per share



125
years of
consecutive payment

21
years of
consecutive growth

Committed to returning
cash to shareholders.

Industry Analysis

Suncor

Husky

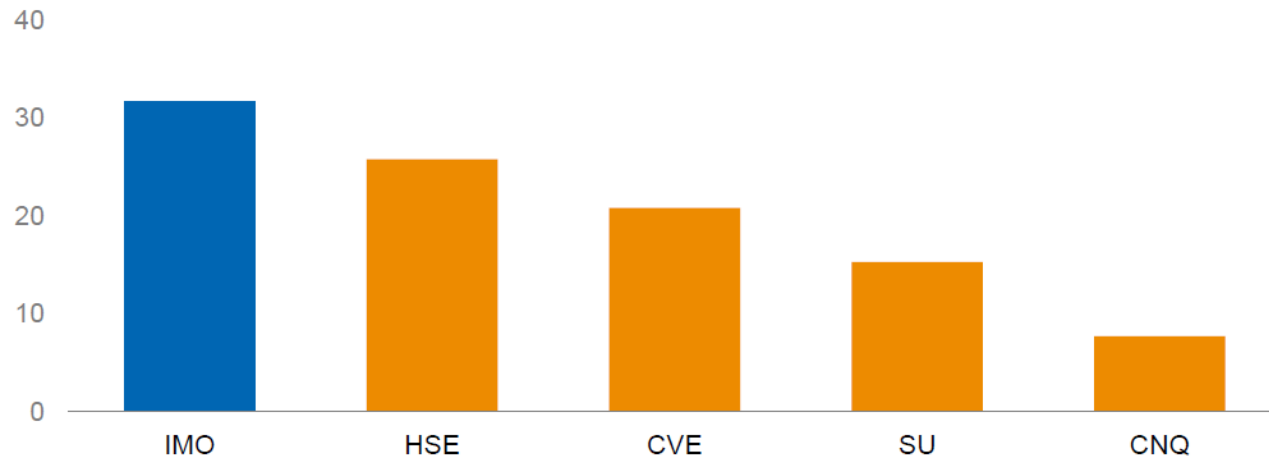
Imperial



Canadian Oil and Gas

Relative Performance:

Over \$10 billion returned to shareholders in the last 10 years



Operating cash flow payout includes dividends and share repurchases as a percentage of cash flow from operating activities.

High: Imperial Oil
Low: Canadian Natural Resources

Figure: Average operating cash flow payout (2006-2015), %

Industry Analysis

Suncor

Husky

Imperial



Corporate Overview

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Company Profile

Total Equity: \$16.377 B CAD (2012)

Headquarter: Calgary

Founded: in 1880

Number of Employees: 5,263 (2012)

Revenue (2015): \$31.188 B CAD (2012)



Industry Analysis

Suncor

Husky


Imperial



Canadian Oil and Gas

Company History

The story began in **1880**, when 16 refiners in southwestern Ontario created The Imperial Oil Company, Limited. Today, Imperial operates from coast to coast and are best known for the familiar brand names: **Esso and Mobil**. It makes the products that drive modern transportation, power cities, lubricate industries and provide petrochemical building blocks for thousands of consumer goods.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Timeline of Imperial Oil

In **1970**, Imperial's oil rig at Atkinson Point, N.W.T., 145 kilometres east of the mouth of the Mackenzie River, where the company made **Canada's first Arctic oil discovery**.

In **1980**, an Esso Medal of Achievement—Imperial introduced the **Esso Medals and Certificates of Achievement program** to recognize improvement, achievement and fair play among minor league players. Since the program began, over two million medals and certificates have been given out.

In **1992**, large-scale equipment helps to mine the bitumen saturated sands at the Syncrude oil sands operation near Fort McMurray, Alta. Imperial holds a **25 percent** share in **Syncrude**.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

In **2000**, Imperial discovered modern **technology** at Norman Wells, which helps to recover gas produced with oil, **reducing the need for flaring**. Imperial is an industry leader in recovering gas that would otherwise be burnt off or released to the atmosphere.

In **2009**, Imperial announces its decision to fund the first phase of the **Kearl oil sands project**, a new mining development northeast of Fort McMurray, Alta.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Business Model

Deliver superior, long-term shareholder value

- ❖ Long-life, competitively advantaged assets
- ❖ Disciplined investment and cost management
- ❖ Value-chain integration and synergies
- ❖ Operational excellence and responsible growth
- ❖ High-impact **technologies** and innovation

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Technology | Examples

Since 2005, Imperial has invested more than **\$380 million** in research, and Imperial remains among the top companies in Canada in terms of total dollars invested in research and technology. The Followings are some **examples**.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

- ❖ Imperial piloted a **steam-flooding technology** to improve resource recovery in mature portions of the field at Cold Lake. Results confirmed that the technology can improve resource recovery and reduce GHG emission intensity by up to 30 percent. Imperial is evaluating expanding use of the technology to other parts of the Cold Lake operation.
- ❖ Imperial is developing a **cyclic solvent process** that injects solvent to reduce the viscosity of bitumen deposits and facilitate economic recovery. By avoiding the use of steam to mobilize the deposits, the process improves energy efficiency. In 2009, we completed a pilot project injecting solvent in three wells.
- ❖ Less developed today, but receiving a key focus in our R&D pipeline, is a game-changing technology that could allow us to **separate bitumen from mined oil sands without additional water**. This non-aqueous bitumen extraction technology could lead to a substantially smaller tailings pond footprint.



Canadian Oil and Gas

- ❖ Imperial continues to develop a **new solvent technology** called LASER (liquid addition to steam to enhance recovery). LASER involves adding a small amount of light hydrocarbon solvent, or diluent, to the steam that is injected into the ground to recover heavy oil.
- ❖ Imperial also continues to be one of several oil sands operators funding leading-edge research conducted by the Canadian Oil Sands Network for Research and Development (CONRAD). In 2009, we contributed \$550,000 to a CONRAD program aimed at remediation and reclamation of oil sands mining sites. Since 2006, Imperial has contributed \$1.3 million to support research conducted under CONRAD.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Business Scope

Industry leadership in **all** aspects of the value chain



Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Companies Priorities

- ❖ Base business operating fundamentals
- ❖ Asset-specific improvement plans
- ❖ Achieving full value of recent investments
- ❖ Prudent scope and pace of new investments
- ❖ Organizational efficiency and productivity

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Strategy:

- ❖ Piloting new recovery technologies
- ❖ Supporting oil sands research
- ❖ Developing cleaner products
- ❖ Advancing environmental technologies
- ❖ Funding projects at universities

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Ownership Structure:

Institutional - Based on Current Filings				
51) Institutional	03/27/1	Curr	Change	
11) % of Shares Held	20.55	20.55	0.00	↗
12) % of Float Held	67.63	67.63	0.00	↗
13) # of Institutions	433	433	0.00%	↗
14) # of Buyers	122	121	-0.82%	↗
15) # of Sellers	158	158	0.00%	↗
16) # of New Buyers	33	33	0.00%	↗
17) # of Selloffs	46	46	0.00%	↗
18) % Chg in Inst Positions	-0.14	-0.14	0.00	↗

Top Ownership Type (%)				
52) Ownership Type	03/27/1	Curr	Change	
21) Corporation	77.19	77.19	0.00	↗
22) Investment Advisor	18.93	18.93	0.00	↗
23) Bank	1.59	1.59	0.00	↗
24) Insurance Company	1.21	1.21	0.00	↗
25) Government	0.72	0.72	0.00	↗
26) Hedge Fund Manager	0.24	0.24	0.00	↗
27) Pension Fund	0.08	0.08	0.00	↗
28) Individual	0.01	0.01	0.00	↗
29) Holding Company	0.01	0.01	0.00	↗

Top Geographic Ownership (%)				
53) Geographic	03/27/1	Curr	Change	
31) UNITED STATES	90.00	90.00	0.00	↗
32) CANADA	7.48	7.48	0.00	↗
33) BRITAIN	0.97	0.97	0.00	↗
34) NORWAY	0.48	0.48	0.00	↗
35) SWITZERLAND	0.31	0.31	0.00	↗
36) IRELAND	0.18	0.18	0.00	↗
37) JAPAN	0.14	0.14	0.00	↗
38) NETHERLANDS	0.09	0.09	0.00	↗
39) GERMANY	0.08	0.08	0.00	↗

54) Ownership Type				
	03/27/1	Curr	Change	
41) Corporation	77.19	77.19	0.00	↗
42) Investment Advisor	18.93	18.93	0.00	↗
43) Bank	1.59	1.59	0.00	↗
44) Insurance Company	1.21	1.21	0.00	↗
45) Government	0.72	0.72	0.00	↗
46) Hedge Fund Manager	0.24	0.24	0.00	↗
47) Pension Fund	0.08	0.08	0.00	↗
48) Individual	0.01	0.01	0.00	↗
49) Holding Company	0.01	0.01	0.00	↗

Industry Analysis

Suncor

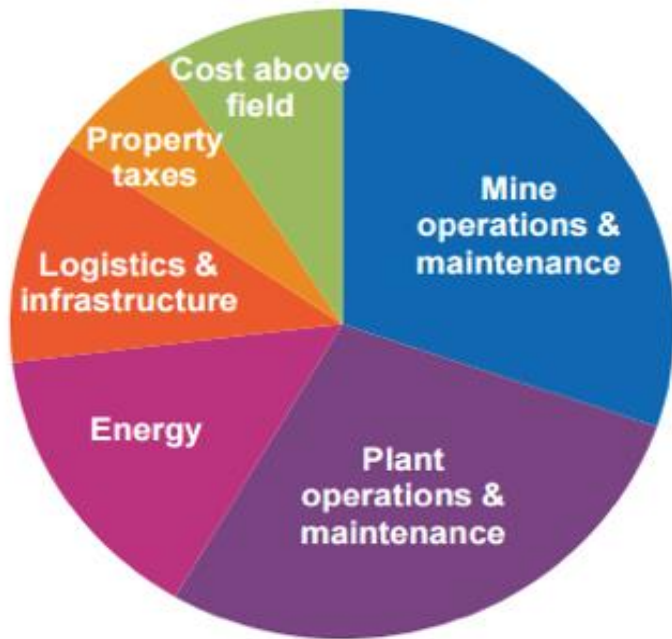
Husky

Imperial



Canadian Oil and Gas

Cost Structure:



Focus on plant reliability, mine equipment productivity, maintenance intervals, workforce capabilities, contractual improvements and minimizing cash spend.

Total capital and exploration expenditures → Decrease were \$5,654 million in 2014, a **decrease** of \$2,366 million from 2013.

For the **Upstream** segment, capital expenditures were \$4,974 million, compared with \$7,755 million in 2013.

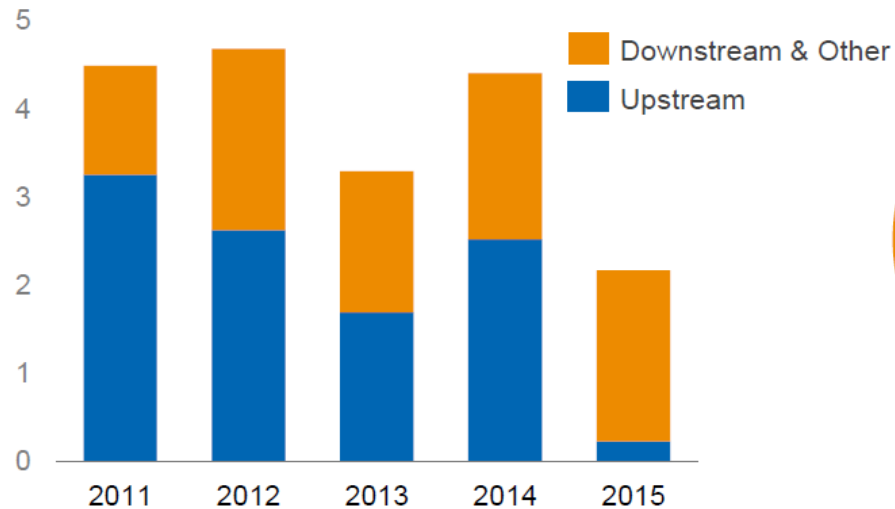
Investments were primarily directed towards the advancement of the **Kearl expansion** and **Nabiye projects**.



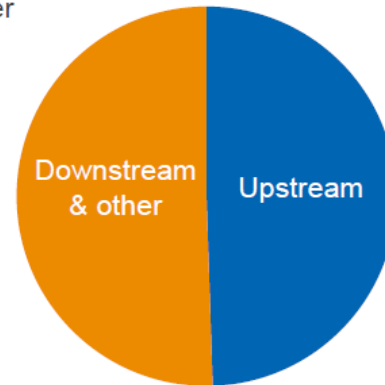
Canadian Oil and Gas

Financial Highlights:

Cash flow from operating activities, \$ billions



Five-year average, %



Demonstrates the strength of Imperial's business model.

- ❖ 2011-2014: Upstream
- ❖ 2015: Downstream ←
Low crude oil price



Canadian Oil and Gas

Management Team:



Rich Kruger: Chairman, president and chief executive officer; assumed on March 1, 2013.

Experiences:

- ❖ In 1981, Mr. Kruger started his career with Exxon in Houston, Texas, and held various technical, supervisory, and management positions
- ❖ In 1996, he became technical manager for Exxon's engineering activities in the former Soviet Union and in 1999 was appointed vice president, Africa Deepwater, ExxonMobil Development Company.
- ❖ In 008, he was appointed president of ExxonMobil Production Company and elected a vice president of Exxon Mobil Corporation.

Degree: Mechanical **engineering** degree from the University of Minnesota and a master's degree in **business** administration from the University of Houston.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Management Team:



B.P. (Bart) Cahir: senior vice-president, upstream; effective January 1, 2015.

Experiences:

- ❖ In 1994, joining ExxonMobil as a subsurface engineer. Mr. Cahir progressed through various assignments focused on upstream oil and gas operations in the United States.
- ❖ In 2004, he moved to ExxonMobil's headquarters as a planning and business analyst for the Asia-Pacific and Middle East regions.
- ❖ Mr. Cahir was relocated to Indonesia in 2006, where he was appointed vice-president, engineering and later vice-president, production.

Degree: Bachelor of Science in Petroleum and Natural Gas **Engineering** from Penn State University.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Management Team:



Beverley Babcock: senior vice-president, finance and administration and controller, effective September 1, 2015.

Ms. Babcock is Canadian and holds a bachelor's degree from Queen's University and a master's degree in **Business Administration** from McMaster University. She is also a member of the Canadian Institute of Chartered **Accountants**.

Industry Analysis

Suncor

Husky

 
Imperial

Canadian Oil and Gas

Management Team:



W.J. (Bill) Hartnett, Q.C.: vice-president and general counsel of Imperial Oil on January 1, 2014.

Experiences:

- ❖ In 1980, Mr. Hartnett joined the Imperial Oil Limited **law** department from the private practice of law.
- ❖ In 1984, he became Imperial's manager, executive compensation.
- ❖ In 1990. The following year, he was appointed general counsel, Esso Resources Canada Limited, which position became assistant general counsel, upstream, Imperial Oil Limited after a corporate reorganization.

Degree: a graduate of Providence College with a Bachelor of **Arts** degree and Western University with a Juris Doctor degree, and he completed an **Executive Program** at the Ross School of **Business** at the University of Michigan.

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Management Team:



David Bailey: was appointed treasurer of Imperial Oil Limited on April 1, 2013.

Mr. Bailey joined Exxon Mobil Corporation's treasurer's department in **1999** as a **financial analyst** and held several positions of increasing responsibility in cash management, capital markets, credit, and business services. During this time, he completed assignments in the U.S., Belgium, and the U.K. spanning corporate, upstream, and downstream activities.

Industry Analysis

Suncor

Husky

 
Imperial

Financial Statements

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Income Statements | 2010-2015:

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Income Statement						
Revenues						
Excise Taxes	-1,316.0	-1,320.0	-1,338.0	-1,423.0	-1,562.0	-1,568.0
Revenues	24,946.0	30,474.0	31,053.0	32,722.0	36,231.0	26,756.0
Total Revenue	-	-	31,188.0	32,929.0	36,966.0	26,888.0
Operating Expenses						
Depreciation Expense	747.0	764.0	761.0	1,110.0	1,096.0	1,450.0
Selling General and Administrative Expen...	1,070.0	1,168.0	1,081.0	1,082.0	1,075.0	1,117.0
Exploration Expense	191.0	92.0	83.0	123.0	67.0	73.0
Total Operating Expenses	-	26,308.0	26,195.0	29,192.0	31,945.0	24,965.0
Cost of Goods Sold	18,807.0	22,961.0	22,933.0	25,443.0	28,141.0	20,718.0
Depreciation and Amortization	-	-	-	-	-	-
Non-Operating Expenses						
Income Tax Expense (Benefit)	744.0	1,035.0	1,227.0	909.0	1,236.0	801.0
Other Non-Operating Expenses	-	-	-	-	-	-
Other Non-Operating Income	-146.0	-240.0	-136.0	-196.0	-	-
Interest Expense	7.0	3.0	-	-	-	-
Total Financial Costs	-	-	-	-	4.0	39.0
Income Before XD Items	-	-	-	-	-	-
Investment Income	-	-	-	-	-735.0	-132.0
Income Before Income Taxes	2,954.0	4,406.0	4,993.0	3,737.0	5,021.0	1,923.0

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Income Statements | Cont.

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Cost of Goods Sold	18,807.0	22,961.0	22,933.0	25,443.0	28,141.0	20,718.0
Depreciation and Amortization	-	-	-	-	-	-
Non-Operating Expenses	-	-	-	-	-	-
Income Tax Expense (Benefit)	744.0	1,035.0	1,227.0	909.0	1,236.0	801.0
Other Non-Operating Expenses	-	-	-	-	-	-
Other Non-Operating Income	-146.0	-240.0	-136.0	-196.0	-	-
Interest Expense	7.0	3.0	-	-	-	-
Total Financial Costs	-	-	-	-	4.0	39.0
Income Before XO Items	-	-	-	-	-	-
Investment Income	-	-	-	-	-735.0	-132.0
Income Before Income Taxes	2,954.0	4,406.0	4,993.0	3,737.0	5,021.0	1,923.0
Earnings	-	-	-	-	-	-
Dividends Per Share	0.43	0.44	0.48	0.49	0.52	0.54
Basic EPS	2.61	3.98	4.44	3.34	4.47	1.32
Total Cash Common Dividends	-	-	-	415.0	-	-
Diluted EPS	2.59	3.95	4.42	3.32	4.45	1.32
Weighted Avg. Shares - Diluted	-	-	-	850.6	-	-
Basic EPS Before XO Items	-	-	-	-	-	-
Diluted EPS Before XO Items	-	-	-	-	-	-
Net Income	2,210.0	3,371.0	3,766.0	2,828.0	3,785.0	1,122.0
Others	-	-	-	-	-	-

- ❖ 2010-2014: Net income is roughly climbing up
- ❖ 2015: Significantly goes down



Canadian Oil and Gas

Balance Sheet | 2010-2015:

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Balance Sheet						
Current Assets						
Accounts Receivable - Trade	2,000.0	2,290.0	1,976.0	2,084.0	1,539.0	1,581.0
Cash and Equivalents	267.0	1,202.0	482.0	272.0	215.0	203.0
Supplies and Materials	246.0	239.0	280.0	342.0	380.0	424.0
Deferred Income Tax Asset (Short-Term)	498.0	590.0	527.0	559.0	314.0	272.0
Finished Goods	527.0	762.0	827.0	1,030.0	1,121.0	1,190.0
Other Inventory	—	—	—	—	—	—
Total Current Assets	3,538.0	5,083.0	4,092.0	4,287.0	3,569.0	3,670.0
Noncurrent Assets						
Long Term Investments	870.0	920.0	1,090.0	1,332.0	1,406.0	1,414.0
Goodwill	204.0	204.0	204.0	224.0	224.0	224.0
Property Plant & Equipment - Net	15,905.0	19,162.0	23,922.0	31,320.0	35,574.0	37,799.0
Other Intangible Assets	63.0	60.0	56.0	55.0	57.0	63.0
Total Assets	20,580.0	25,429.0	29,364.0	37,218.0	40,830.0	43,170.0
Current Liabilities						
Accounts Payable and Accrued Expenses	3,470.0	4,317.0	4,249.0	4,518.0	3,969.0	2,989.0
Notes Payable (Short-Term)	229.0	364.0	472.0	1,843.0	1,978.0	1,952.0
Income Taxes Accrued/Payable	878.0	1,268.0	1,184.0	727.0	34.0	452.0
Short-Term Borrowings	—	—	—	—	—	—
Current Portion of Long-Term Debt	—	—	—	—	—	—



Canadian Oil and Gas

Balance Sheet | Cont.

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Accounts Payable and Accrued Expenses	3,470.0	4,317.0	4,249.0	4,518.0	3,969.0	2,989.0
Notes Payable (Short-Term)	229.0	364.0	472.0	1,843.0	1,978.0	1,952.0
Income Taxes Accrued/Payable	878.0	1,268.0	1,184.0	727.0	34.0	452.0
Short-Term Borrowings	-	-	-	-	-	-
Current Portion of Long-Term Debt	-	-	-	-	-	-
Total Current Liabilities	4,577.0	5,949.0	5,905.0	7,088.0	5,981.0	5,393.0
Non Current Liabilities						
Long Term Capital Lease Obligations	-	-	-	-	-	-
Long Term Debt	527.0	843.0	1,175.0	4,444.0	4,913.0	6,564.0
Other Noncurrent Liabilities	2,753.0	3,876.0	3,983.0	3,091.0	3,565.0	3,597.0
Deferred Income Taxes (Liabilities)	1,546.0	1,440.0	1,924.0	3,071.0	3,841.0	4,191.0
Total Liabilities	9,403.0	12,108.0	12,987.0	17,694.0	18,300.0	19,745.0
Stockholder Equity						
Common Stock	-	-	-	1,566.0	1,566.0	1,566.0
Accumulated Other Comprehensive Inco...	-1,424.0	-2,238.0	-2,455.0	-1,721.0	-2,059.0	-1,828.0
Shares Outstanding	848.0	848.0	848.0	848.0	848.0	-
Common Stock & APIC	1,511.0	1,528.0	1,566.0	-	1,566.0	-
Total Shareholders Equity	11,177.0	13,321.0	16,377.0	19,524.0	22,530.0	23,425.0
Retained Earnings (Accumulated Deficit)	11,090.0	14,031.0	17,266.0	19,679.0	23,023.0	23,687.0
Total Liabilities and Shareholders Equity	-	25,429.0	29,364.0	37,218.0	40,830.0	43,170.0
Reference Items						

❖ Dollar amount of debt is increasing from 2010 to 2015



Canadian Oil and Gas

Cash Flow Statement | 2010-2015:

Cash from Operating Activities

In Millions of CAD except Per Share	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Last 12M
12 Months Ending	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2015
Cash from Operating Activities						
+ Net Income	3,371.0	3,766.0	2,828.0	3,785.0	1,122.0	1,122.0
+ Depreciation & Amortization	764.0	761.0	1,110.0	1,096.0	1,450.0	1,450.0
+ Non-Cash Items	-126.0	525.0	332.0	427.0	329.0	329.0
+ Deferred Income Taxes	71.0	619.0	482.0	1,123.0	367.0	367.0
+ Other Non-Cash Adj	-197.0	-94.0	-150.0	-696.0	-38.0	-38.0
+ Chg in Non-Cash Work Cap	480.0	-372.0	-978.0	-903.0	-734.0	-734.0
+ (Inc) Dec in Accts Receiv	-302.0	300.0	-74.0	545.0	-42.0	-42.0
+ (Inc) Dec in Inventories	-228.0	-106.0	-260.0	-129.0	-172.0	-172.0
+ Inc (Dec) in Accts Payable	846.0	-67.0	191.0	-549.0	-	-
+ Inc (Dec) in Other	164.0	-499.0	-835.0	-770.0	-520.0	-520.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0	-	0.0
Cash from Operating Activities	4,489.0	4,680.0	3,292.0	4,405.0	2,167.0	2,167.0

Industry Analysis

Suncor

Husky

Imperial

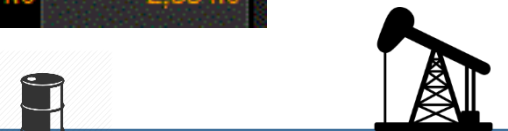


Canadian Oil and Gas

Cash Flow Statement | 2010-2015:

Cash from Investing Activities

In Millions of CAD except Per Share 12 Months Ending	FY 2011 12/31/2011	FY 2012 12/31/2012	FY 2013 12/31/2013	FY 2014 12/31/2014	FY 2015 12/31/2015	Last 12M 12/31/2015
Cash from Investing Activities						
+ Change in Fixed & Intang	-3,605.0	-5,252.0	-6,137.0	-4,439.0	-2,852.0	-2,852.0
+ Disp in Fixed & Intang	314.0	226.0	160.0	851.0	142.0	142.0
+ Disp of Fixed Prod Assets	314.0	226.0	160.0	851.0	142.0	142.0
+ Disp of Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0
+ Acq of Fixed & Intang	-3,919.0	-5,478.0	-6,297.0	-5,290.0	-2,994.0	-2,994.0
+ Acq of Fixed Prod Assets	-3,919.0	-5,478.0	-6,297.0	-5,290.0	-2,994.0	-2,994.0
+ Acq of Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Change in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0
+ Dec in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0
+ Inc in LT Investment	0.0	0.0	0.0	-	-	0.0
+ Net Cash From Acq & Div	0.0	0.0	-1,602.0	0.0	0.0	0.0
+ Cash from Divestitures	0.0	0.0	0.0	0.0	0.0	0.0
+ Cash for Acq of Subs	0.0	0.0	-1,602.0	0.0	0.0	0.0
+ Cash for JVs	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	12.0	14.0	4.0	-123.0	-32.0	-32.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Investing Activities	-3,593.0	-5,238.0	-7,735.0	-4,562.0	-2,884.0	-2,884.0

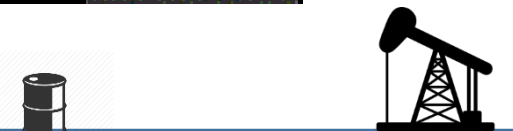


Canadian Oil and Gas

Cash Flow Statement | 2010-2015:

Cash from Financing Activities

In Millions of CAD except Per Share	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Last 12M
12 Months Ending	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2015
Cash from Financing Activities						
+ Dividends Paid	-373.0	-398.0	-407.0	-441.0	-449.0	-449.0
+ Cash From (Repayment) Debt	452.0	321.0	4,640.0	541.0	1,154.0	1,154.0
+ Cash From (Repay) ST Debt	135.0	105.0	1,371.0	120.0	-32.0	-32.0
+ Cash From LT Debt	320.0	220.0	3,276.0	430.0	1,206.0	1,206.0
+ Repayments of LT Debt	-3.0	-4.0	-7.0	-9.0	-20.0	-20.0
+ Cash (Repurchase) of Equity	-40.0	-85.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stock	19.0	43.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stock	-59.0	-128.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	39.0	-162.0	4,233.0	100.0	705.0	705.0



Financial Ratios

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Liquidity Ratios | 2010-2015:

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Cash Ratio	0.06	0.20	0.08	0.04	0.04	0.04
Current Ratio	0.77	0.85	0.69	0.60	0.60	0.68
Quick Ratio	0.50	0.59	0.42	0.33	0.29	0.33
CFO/Avg Current Liab	0.77	0.85	0.79	0.51	0.67	0.38
Common Equity/Total Assets	54.31	52.39	55.77	52.46	55.18	54.26
Long-Term Debt/Equity	4.72	6.33	7.17	22.76	21.81	28.02
Long-Term Debt/Capital	4.42	5.80	6.52	17.22	16.70	20.55
Long-Term Debt/Total Assets	2.56	3.32	4.00	11.94	12.03	15.21
Total Debt/Equity	6.76	9.06	10.06	32.20	30.59	36.35
Total Debt/Capital	6.34	8.31	9.14	24.36	23.42	26.66
Total Debt/Total Assets	3.67	4.75	5.61	16.89	16.88	19.73
CFO/Total Liabilities	34.11	37.07	36.04	18.61	24.07	10.97
CFO/CapEx	0.83	1.15	0.85	0.52	0.83	0.72
Altman's Z-Score	4.42	4.23	3.88	3.11	3.25	2.55
Total Line of Credit	200.0	200.0	200.0	300.0	500.0	500.0
Total Available Line Of Credit	200.0	200.0	200.0	300.0	500.0	500.0
Total Credit Lines Drawn	0.0	0.0	0.0	0.0	0.0	0.0

- ❖ Dollar amount of debt is increasing from 2010 to 2015
- ❖ Leverage ratio: leverage up



Canadian Oil and Gas

Profitability Ratios | 2010-2015:

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Returns						
Return on Common Equity	21.44	27.52	25.36	15.75	18.00	4.88
Return on Assets	11.62	14.65	13.75	8.49	9.70	2.67
Return on Capital	20.60	25.50	—	13.18	13.94	3.86
Return on Invested Capital	17.51	21.39	20.44	11.41	10.73	3.44
Margins						
Gross Margin	20.41	21.24	22.82	18.71	18.83	17.75
EBITDA Margin	15.07	16.92	18.91	14.86	15.54	13.02
Operating Margin	11.91	14.30	16.35	11.31	12.37	7.27
Incremental Operating Margin	19.86	24.51	122.64	—	22.23	-25.95
Pretax Margin	12.50	15.11	16.80	11.94	14.48	7.63
Income before XD Margin	9.35	11.56	12.67	9.04	10.92	4.45
Net Income Margin	9.35	11.56	12.67	9.04	10.92	4.45
Net Income to Common Margin	9.35	11.56	12.67	9.04	10.92	4.45
Additional						
Effective Tax Rate	25.19	23.49	24.57	24.32	24.62	41.65
Div Payout Ratio	16.47	11.06	10.83	14.67	11.65	40.02
Sustainable Growth Rate	17.91	24.48	22.61	13.44	15.90	2.93

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Working Capital Analysis | 2010-2015:

In Millions of CAD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
 Accounts Receivable Turnover	12.72	13.59	13.93	15.42	19.14	16.15
 Days Sales Outstanding	28.68	26.85	26.27	23.67	19.07	22.61
 Inventory Turnover	23.75	25.89	21.76	20.53	19.59	13.30
 Days Inventory Outstanding	15.37	14.10	16.82	17.78	18.63	27.44
 Accounts Payable Turnover	5.98	5.96	5.38	5.86	-	-
 Accounts Payable Turnover Days	61.07	61.28	68.04	62.24	-	-
 Cash Conversion Cycle	-17.02	-20.33	-24.95	-20.78	-	-
 Inventory to Cash Days	44.05	40.96	43.09	41.45	37.70	50.05
 Total Inventory	773.0	1,001.0	1,107.0	1,372.0	1,501.0	1,614.0
 Inventory Raw Materials	246.0	239.0	280.0	342.0	0.0	0.0
 Inventory In Progress	0.0	0.0	0.0	0.0	0.0	0.0
 Inventory Finished Goods	527.0	762.0	827.0	1,030.0	1,121.0	1,190.0
 Other Inventory	0.0	0.0	0.0	0.0	380.0	424.0

Industry Analysis

Suncor

Husky

 
Imperial

Canadian Oil and Gas

Yield Analysis | 2010-2015:

In Millions of CAD except Per Share	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Est	FY 2017 Est
12 Months Ending	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
T12 Cash Flows to Equity						
+ Cash From Operations	4,680.0	3,292.0	4,405.0	2,167.0	2,418.2	3,754.0
+ Capital Expenditures	-5,478.0	-6,297.0	-5,290.0	-2,994.0		
Free Cash Flow	-798.0	-3,005.0	-885.0	-827.0	414.4	1,769.9
Market Capitalization	36,235.0	39,889.9	42,442.4	38,209.8		
Free Cash Flow Yield	-2.20	-7.54	-2.09	-2.16		
Dividends Paid	-398.0	-407.0	-441.0	-449.0		
Net Share Repurchases	-85.0	0.0	0.0	0.0		
Net ST Debt Repayments	105.0	1,371.0	120.0	-32.0		
Net LT Debt Repayments	216.0	3,269.0	421.0	1,186.0		
Other Financing Activities	0.0	0.0	0.0	0.0		
T12 Cash to Suppliers of Capital	-162.0	4,233.0	100.0	705.0		
Market Capitalization	36,235.0	39,889.9	42,442.4	38,209.8		
T12 Shareholder Yield	0.45	-10.61	-0.24	-1.85		
- Dividends Paid	-398.0	-407.0	-441.0	-449.0		
- Net Share Repurchases	-85.0	0.0	0.0	0.0		
T12 Cash to Shareholders	483.0	407.0	441.0	449.0		
Market Capitalization	36,235.0	39,889.9	42,442.4	38,209.8		
T12 Shareholder Yield, Ex Debt	1.33	1.02	1.04	1.18		



Canadian Oil and Gas

Recommendation:

Good

- ❖ Maintain a positive dividend payout that is higher than industry average
- ❖ Overall, the company is in good financial condition with the ability to pay off its debts and maintain cash balances
- ❖ The company has utilized its assets to continue development. Profits are expected from the advancement of the Kearl expansion and Nabiye projects.

HOLD

Bad

- ❖ Partially due to lack of prospective projects to make investments → Not a good sign from the perspective of long term.
- ❖ Subject to a variety of **environmental requirements** and additional rules are on the horizon. Prime Minister Justin Trudeau and President Barack Obama recently pledged greater cooperation on climate change goals between the U.S. and Canada. This follows Alberta's plan for a new carbon tax in the first quarter of **2017**. Oil sands exploration and productions are already subject to an intensity-based carbon program, though the new tax will apply to transportation fuels as well.



Comparison: Suncor | Husky | Imperial Oil

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Overview:

21) Overview		22) Comp Sheets		23) Markets		24) EPS Preview		25) Ownership		26) Credit		27) Custom	
Name (BICS Best Fit)	Mkt Cap (CAD)	Last Px (CAD)	Chg Pct 1D	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Dvd 12M Yld				
Average	38.91B	44.94	-0.53%	15.31%	-32.18%	-19.62%	49.79	9.90%	5.10%				
100) IMPERIAL OIL LTD	37.03B	43.69	-0.11%	2.39%	-27.35%	-67.97%	35.71	4.32%	1.26%				
101) SUNCOR ENERGY INC	55.78B	35.75	-0.31%	8.70%	-26.73%	--	--	-1.16%	3.22%				
102) CENOVUS ENERGY INC	14.14B	16.97	0.47%	13.89%	-33.49%	-23.47%	--	-8.94%	3.75%				
103) HUSKY ENERGY INC	15.91B	15.82	0.57%	12.60%	-32.06%	-96.90%	324.65	0.62%	5.57%				
104) DEVON ENERGY CORP	17.92B	34.18	-2.04%	27.80%	-14.60%	-46.76%	7.41	10.12%	3.70%				
105) CHEVRON CORP	234.91B	124.67	-0.28%	12.13%	-36.41%	-67.48%	27.90	4.20%	4.53%				
106) WESTERN REFINING INC	3.56B	39.00	-1.33%	11.12%	-35.41%	2.79%	6.23	37.49%	4.87%				
107) VALERO ENERGY CORP	40.40B	85.83	-1.09%	9.15%	-32.89%	34.82%	8.20	19.84%	2.92%				
108) CVR ENERGY INC	2.99B	34.39	-0.46%	16.94%	-41.44%	70.47%	9.96	23.14%	7.67%				
109) DCP MIDSTREAM PART	3.93B	34.24	-2.00%	41.04%	-47.89%	-16.69%	11.05	9.38%	12.01%				
110) WESTERN REFINING LO	1.41B	29.79	0.71%	12.61%	-25.76%	15.03%	16.99	--	6.58%				

- ❖ Largest Market Cap.: Suncor
- ❖ Largest ROE: Imperial Oil
- ❖ Greatest P/E: Husky
- ❖ Greatest Dividend Yield: Husky

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Profitability:

31 Equity Valuation		32 CDS Spreads		33 Op Stats		34 Profitability		35 Balance Sheet		36 ESG	
Name (BICS Best Fit)	Market Cap (\$)	EBITDAX Margin (%)	EBIT Margin (%)	Return on Capital Employed	Return on Equity (%)	Return on Assets (%)	WACC	EVA Spread			
Average	38.90B	-0.12	5.76%	15.42	9.87%	4.34%	10.72%	-12.80			
100) IMPERIAL OIL LTD	37.02B	13.02	7.27%	2.83	4.54%	2.36%	12.78%	-9.26			
101) SUNCOR ENERGY INC	55.75B	25.88	7.19%	-41.99	-1.16%	-0.60%	13.45%	-16.14			
102) CENOVUS ENERGY INC	14.15B	9.87	-6.31%	--	-8.94%	-4.00%	14.00%	-19.65			
103) HUSKY ENERGY INC	15.92B	-9.30	1.19%	--	0.62%	0.41%	13.50%	-34.01			
104) DEVON ENERGY CORP	17.88B	-104.16	13.73%	76.63	10.12%	3.61%	7.99%	-65.55			
105) CHEVRON CORP	234.89B	14.14	-0.80%	4.27	4.13%	2.43%	9.79%	-14.73			
106) WESTERN REFINING INC	3.56B	11.60	10.02%	24.54	37.49%	7.90%	8.40%	4.43			
107) VALERO ENERGY CORP	40.42B	9.34	7.24%	13.28	19.37%	9.09%	9.70%	3.52			
108) CVR ENERGY INC	2.99B	9.85	8.43%	15.83	23.14%	6.74%	10.06%	2.42			
109) DCP MIDSTREAM PART	3.94B	14.07	12.07%	18.63	9.38%	7.03%	8.57%	-5.54			
110) WESTERN REFINING LO	1.41B	4.37	3.31%	24.74	--	12.71%	9.63%	13.71			

- ❖ Adjusted for abnormal items, when applicable
- ❖ Whole firm
- ❖ Currency: Canadian dollar

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Balance Sheet:

	31) Equity Valuation	32) CDS Spreads	33) Op Stats	34) Profitability	35) Balance Sheet	36) ESG				
Name (BICS Best Fit)	Market Cap (\$)	Total Debt to Capital (%)	Total Financial Debt to Leverage (x)	EBITDA to Interest annualized	X Cash to Assets	Current Ratio	Cash / Dividend Total Assets	Dividend Yield		
Average	38.91B	40.80%	3.07	10.60	11.29	2.90	1.71	8.04%	1.75	4.66%
100) IMPERIAL OIL LTD	37.02B	26.66%	3.42	1.83	18.74	0.45	0.68	0.47%	2.50	1.28%
101) SUNCOR ENERGY INC	55.75B	28.16%	2.78	1.95	7.29	2.46	1.46	5.22%	--	3.25%
102) CENOVUS ENERGY INC	14.14B	34.49%	4.86	2.24	3.93	5.78	3.48	15.92%	0.87	1.18%
103) HUSKY ENERGY INC	15.92B	28.94%	2.34	2.01	-2.63	0.08	0.76	0.21%	--	--
104) DEVON ENERGY CORP	17.90B	54.41%	6.42	2.80	9.00	5.83	1.22	7.82%	--	0.93%
105) CHEVRON CORP	234.98B	20.05%	1.64	1.73	40.00	1.38	1.34	4.14%	0.57	4.52%
106) WESTERN REFINING INC	3.57B	35.92%	2.03	4.74	11.04	5.98	2.38	13.24%	3.15	5.13%
107) VALERO ENERGY CORP	40.43B	25.68%	1.08	2.18	16.27	4.85	2.03	9.28%	4.71	3.68%
108) CVR ENERGY INC	2.99B	29.62%	1.72	3.43	11.83	4.41	2.63	23.14%	0.98	7.67%
109) DCP MIDSTREAM PART	3.94B	46.36%	4.42	1.95	3.56	0.01	1.53	0.04%	0.29	11.99%
110) WESTERN REFINING LO	1.41B	118.54%	3.08	91.79	5.19	0.67	1.28	8.90%	0.93	6.95%

- ❖ Financial leverage: High: Husky [High Risk] Low: Imperial Oil
- ❖ Liquidity ratio: Suncor

Industry Analysis

Suncor

Husky

Imperial



Canadian Oil and Gas

Equity Valuation:

31 Equity Valuation		32 CDS Spreads		33 Op Stats		34 Profitability		35 Balance Sheet		36 ESG	
Name (BICS Best Fit)	Est P/E Current Yr	Last Px (CAD)	Market Cap (\$)	P/E - FY1	P/E -EBITDAX FY2	P/CF - FY1	P/CF/EBITDA/ - FY2	EBITDAEVDACF - FY1	- FY2	(x)	
Average	29.97	44.94	38.90B	29.97	21.98	10.15	9.33	6.88	9.96	7.52	8.81
100) IMPERIAL OIL LTD	70.79	43.68	37.02B	70.79	19.26	13.87	15.31	9.86	18.21	10.89	15.32
101) SUNCOR ENERGY INC	--	35.76	55.79B	--	27.89	6.24	10.33	7.38	12.18	7.99	8.01
102) CENOVUS ENERGY INC	--	16.97	14.14B	--	--	11.91	14.99	8.76	12.34	8.78	8.79
103) HUSKY ENERGY INC	--	15.82	15.91B	--	35.23	--	6.29	4.43	8.14	5.51	6.31
104) DEVON ENERGY CORP	--	34.11	17.88B	--	41.81	--	8.78	5.03	13.22	8.12	5.05
105) CHEVRON CORP	68.13	124.64	234.86B	68.13	19.65	8.56	9.02	6.54	8.39	5.83	--
106) WESTERN REFINING INC	11.24	39.03	3.56B	11.24	11.53	--	5.09	4.79	6.14	5.97	6.94
107) VALERO ENERGY CORP	9.09	85.85	40.41B	9.09	8.82	--	5.66	5.47	4.84	4.92	5.62
108) CVR ENERGY INC	22.87	34.36	2.99B	22.87	29.79	--	--	--	6.79	7.48	8.64
109) DCP MIDSTREAM PART	13.69	34.30	3.94B	13.69	13.36	--	7.23	7.56	9.46	9.32	8.51
110) WESTERN REFINING LO	13.95	29.79	1.41B	13.95	12.47	--	10.61	9.00	9.82	7.94	14.93

Industry Analysis

Suncor

Husky

Imperial



Thank You!

Industry Analysis

Suncor

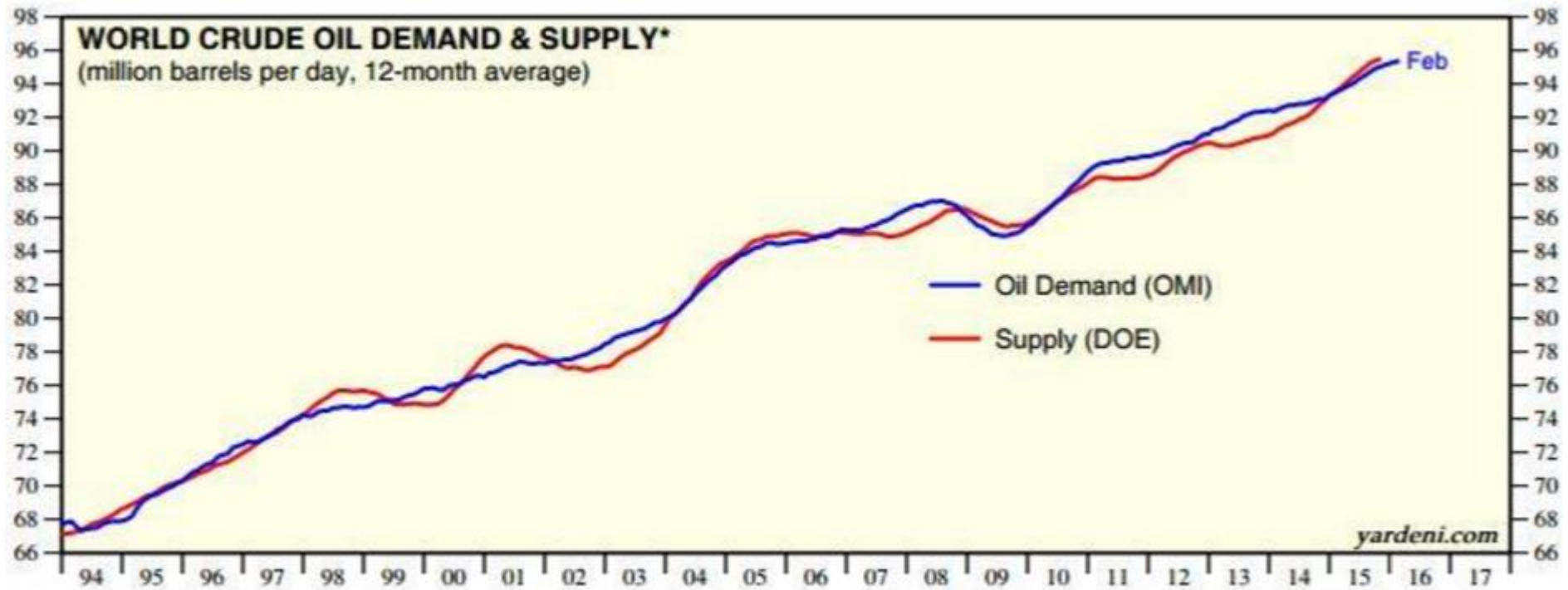
Husky

Imperial



Supplement Information

Canadian Oil and Gas



Source: Yardeni 2016 Research Report

Canadian Oil and Gas

Consolidated Statements of Income (Loss)

	Year ended December 31,	
<i>(millions of Canadian dollars, except share data)</i>	2015	2014
Gross revenues	16,763	25,052
Royalties	(432)	(1,030)
Marketing and other	38	70
Revenues, net of royalties	16,369	24,092
Expenses		
Purchases of crude oil and products	9,397	14,409
Production, operating and transportation expenses <i>(note 27)</i>	2,994	3,119
Selling, general and administrative expenses <i>(note 27)</i>	342	462
Depletion, depreciation, amortization and impairment <i>(notes 9, 10)</i>	8,644	4,010
Exploration and evaluation expenses <i>(note 8)</i>	447	214
Other – net <i>(note 9)</i>	(309)	(56)
	21,515	22,158
Earnings (loss) from operating activities	(5,146)	1,934
Share of equity investment <i>(note 11)</i>	(5)	(6)
Financial items <i>(note 20)</i>		
Net foreign exchange gains	43	81
Finance income	35	8
Finance expenses	(298)	(233)
	(220)	(144)
Earnings (loss) before income taxes	(5,371)	1,784
Provisions for (recovery of) income taxes <i>(note 17)</i>		
Current	306	717
Deferred	(1,827)	(191)
	(1,521)	526
Net earnings (loss)	(3,850)	1,258