

# Elliott Investment Management Sends Letter to the Board of Suncor Energy Inc.

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Calls for Board Enhancement, along with Strategic and Management Review

Sees \$30 Billion Value Creation Opportunity, a Potential Share-Price Increase of 50% or More

Full Letter and Presentation Available at [RestoreSuncor.com](#)

WEST PALM BEACH, April 28, 2022 - Elliott Investment Management L.P. ("Elliott"), which manages funds that have an investment representing approximately a 3.4% economic interest in [Suncor Energy Inc.](#) (NYSE:SU) (the "Company" or "Suncor") today sent a letter and presentation to the Board of Directors of Suncor. According to the letter, the purpose of the materials is to outline the right path forward to restore Suncor to its role as a leader of the Canadian energy industry.

Suncor has seen a decline in the exceptional performance that was formerly its hallmark, the letter said, which has led to other things, missed production goals, high costs, and safety failures. In particular, shareholders have seen their investment behind nearly all large-cap North American oil and gas companies, as Suncor's share price has remained virtually unchanged since early 2019, even as oil prices have climbed to their highest level in almost a decade.

To deliver improved results and restore the confidence that has been lost, Elliott believes the Company must pursue the steps detailed in its Restore Suncor plan, including:

- **Board Enhancements:** Add five new independent directors with deep expertise in the Canadian energy industry to improve governance and oversee the necessary change.
- **Management Review:** An objective review of Suncor's executive leadership by the refreshed board will ensure the best management is in place to deliver excellence in operating and safety performance.
- **Operations:** Overhaul the Company's operational and safety culture, which is critical if Suncor is to regain its place as a top performer. Deliver on the long-promised \$2 billion cash flow improvement plan.
- **Enhanced Capital Return:** Increase capital returns from 50% to 80%+ of discretionary cash flow after capex and dividends to provide Suncor's shareholders an industry leading annual cash return yield.
- **Strategic Review:** Explore opportunities to unlock the value of high-multiple assets outside of core Oil Sands business, including a strategic review of retail.

Through realizing the Company's full potential, Elliott believes that the Board can unlock more than \$30 billion in value for shareholders, a potential increase of 50% or more from today. Elliott looks forward to engaging with the Board, along with shareholders, as soon as possible.

The letter and presentation can be downloaded at [RestoreSuncor.com](#).

The full text of the letter follows:

April 28, 2022

The Board of Directors  
[Suncor Energy Inc.](#)  
150 - 6 Avenue S.W.  
Calgary, Alberta, Canada T2P 3E3  
Attn: Chairman Michael Wilson

Dear Michael and Members of the Board:

We are writing to you on behalf of Elliott Associates, L.P., and Elliott International, L.P. (collectively, "Elliott" or "we"), who together have an investment representing approximately a 3.4% economic interest in [Suncor Energy Inc.](#) (the "Company" or "Suncor"),<sup>1</sup> making us one of your largest investors. Elliott is a multi-strategy investment firm founded in 1977 with approximately US\$51.5 billion in assets under management. We have a long and successful track record of investing in the energy sector, working with companies to create long-term, sustainable value.

The purpose of this letter and the accompanying presentation is to inform you of our investment and our views on the future of Suncor. We have considerable respect for Suncor, its employees and its history as a pioneer and leader of the Canadian energy industry and broader economy. However, in recent years, the Company has seen a decline in the execution performance that was formerly its hallmark.

Suncor now finds itself plagued by repeated operational challenges and safety issues. Our research suggests that missed production goals, high costs, and, tragically, a number of employee fatalities and other safety incidents, all find their roots in Suncor's slow-moving, overly bureaucratic corporate culture that appears to have lost the dynamism that not long ago made Suncor the most valuable energy company in Canada. Regaining that dynamic, high-performing culture will require decisive, immediate action from the Company's leadership and a willingness to commit to a new path.

Our investment in Suncor is underpinned by our conviction that, with the right leadership, the Company can restore its past success. Suncor's integrated oil sands operations are a critical part of the global energy supply, and we believe these are dramatically undervalued. We believe the path described below could lead to a Suncor share price of \$60 or higher, a \$10 billion and 50% increase in shareholder value.<sup>2</sup>

We look forward to working with the Board and our fellow shareholders to create a stronger, safer Suncor.

<sup>1</sup> Elliott's economic interest in Suncor consists of both ownership of shares and economic exposure through cash-settled derivatives contracts. Elliott, and its affiliates, may engage in ordinary course trading transactions with its swap counterparty and/or the counterparties' affiliated entities.

<sup>2</sup> All dollar amounts are stated in Canadian dollars, except where specified; prices as of 4/22/2022

## Suncor Today

Suncor can rightfully claim to have pioneered the Canadian oil sands, forging the path that led the industry to where it is today. Suncor's Base Plant was the first commercially successful, large-scale oil sands project when it came online in 1967, and the largest private sector investment in Canadian history at the time. In the years following, Suncor continued to grow and expand its operations, both organically and through well-timed transactions. For almost two decades, from 2000 until as recently as 2018, Suncor was the most valuable Canadian energy company by market capitalization and broadly viewed as the industry bellwether.

More recently, however, Suncor has seen its hard-earned reputation undermined by missed production targets, delayed projects, and repeated safety failures that together have left a cloud over the Company's operations.

- **Safety:** Suncor has tragically lost 12 employees and contractors in fatal accidents since 2014, more than all of its peers combined over the same period.
- **Production:** For each year during the 2019-2021 timeframe, Suncor has missed the low- end of its upstream production guidance.
- **Cost targets and free-cash-flow growth:** Suncor is still touting the same "Medium- Term" operating cost targets it announced in February 2018, now with an expected completion date of 2025. Four years after the original release of these initiatives, analysts have yet to see tangible benefits, and investors remain skeptical.
- **Dividend:** The dividend was cut over 50% in 2020 (later restored), while the Company's leading peer was able to increase its dividend and increase it in 2021.

This steady pattern of missed expectations has been reflected in Suncor's share-price performance. As Bloomberg put it, "Suncor Shares Go from First to Worst in Canada Oil-Sands Boom." Shareholders have seen their investment lag behind large-cap North American oil and gas companies, as Suncor's share price has remained virtually unchanged since early 2014, as oil prices have climbed to their highest level in almost a decade.

- Returns: Over the last three years, Suncor shares have lagged oil sands peers by an average of 91%, and closed Canadian Natural Resources by 137%.
- Valuation: Over the same time period, Suncor's relative valuation multiple has gone from a premium to a significant discount.
- Perception: The Company that was once the industry leader is now a "show me" story to investors.

It is evident that Suncor's status quo is not working. Our due diligence indicates, however, that meaningful improvements are possible. We have spoken with numerous oil sands industry experts, engaged a leading consulting firm to assess Suncor's operations, tested the viability of the Company's stated targets, and commissioned a survey of Suncor shareholders to understand investor expectations. The message we received from all of these efforts is clear: Suncor is a large, complex business with high quality assets. Sustainable improvements in long-term performance require the right leadership and culture.

## Restore Suncor

Our goal is to restore Suncor to what it once was: the leader of the Canadian energy industry. The key to reaching that goal is restoring the operating excellence and responsible stewardship that once defined the Company. To deliver these results and restore the confidence that has been lost, we believe the Company must pursue these critical steps:

- Board Enhancements: Add five new independent directors with deep expertise in the Canadian energy industry to strengthen governance and oversee the necessary change.
- Management Review: An objective review of Suncor's executive leadership by the refreshed board will ensure the right management is in place to deliver excellence in operating and safety performance.
- Operations: Overhaul the company's operational and safety culture, which is critical if Suncor is to regain its place as a top performer and deliver on the long-promised \$2 billion cash flow improvement plan.
- Enhanced Capital Return: Increase capital returns from 50% to 80%+ of discretionary cash flow after capex and dividends to provide Suncor's shareholders an industry leading annual cash return yield.
- Strategic Review: Explore opportunities to unlock the value of high-multiple assets outside of the core Oil Sands business, including a strategic review of retail.

We believe that implementing these initiatives can reposition Suncor for a new era of industry leadership and make it, once again, the company of choice for investors and employees.

Given that ESG considerations are a critical aspect of the Canadian oil sands industry, it is important to make it clear that we support Suncor's leading environmental and sustainability efforts in the industry, including the Company's existing plan to invest ~10% of capex (~\$500 million per year) on carbon-reduction projects. In fact, we believe that a stronger Suncor, improved by the initiatives that we are recommending today, will be better positioned to execute on these important initiatives.

## Next Steps

Given the importance of Suncor as an institution and the urgency of the issues at hand, we are making this letter and our proposals available to the public online at [RestoreSuncor.com](https://RestoreSuncor.com). We believe that transparency about our research, our proposals, and our proposals is best not only for Suncor's shareholders, employees and the communities in which it operates, but also for the Board and management team. This transparency will allow the Board to receive broad-based, well-informed and timely input on these ideas, which will enable you to act expeditiously and confidently to address the issues raised.

We suspect that the Board is also frustrated with Suncor's recent performance, and our desire is to work with the Board constructively to realize the vision described above. Successfully effecting change in a business the size and with the complexity of Suncor is no easy task. It will require capable leadership with the right expertise, an acknowledgement of the need for change, and a willingness to see that change through. We are confident, however, that significant improvement can be achieved for the benefit of Suncor's shareholders and employees. These improvements will culminate in a more valuable, more sustainable and a safer Suncor to succeed for the long-term.

We look forward to engaging with the Board, along with our fellow shareholders, to chart the right path forward for Suncor. We hope that a meeting with the Board can take place as soon as possible, as these issues require immediate attention. To that end, we will make ourselves available to meet with the Board to discuss our views in more detail at your earliest convenience.

Sincerely,

John Pike

## Partner

Mike Tomkins  
Portfolio Manager

## About Elliott

Elliott Investment Management L.P. manages approximately US\$51.5 billion of assets. Its flagship fund, Elliott Associates, was founded in 1977, making it one of the oldest funds under continuous management. The Elliott funds' investors include pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, and the firm.

This press release does not constitute a solicitation of a proxy within the meaning of applicable laws, and accordingly, our shareholders are not being asked to give, withhold or revoke a proxy.

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