3 Companies You Should Buy Instead of Suncor Energy Inc.

Description

Suncor Energy Inc. (TSX:SU)(NYSE:SU) is a very popular stock to buy these days, and for good reason. It has a strong balance sheet. It pays a reliable dividend. And it offers a great way to bet on oil prices.

That being the case, there are much better alternatives. Below we take a look at three.

1. BlackPearl

Suncor shareholders rightly point out that the company has one of the industry's best balance sheets. The company's $9.5 billion in net debt is less than 20% of the company's market value, and only 1.2 times trailing cash flow.

But there's a smaller oil producer with a balance sheet just as strong: **BlackPearl Resources Inc.** (TSX:PXX). The company has $73 million in net debt, which is again equal to less than 20% of its market value. BlackPearl's net debt is also less than one times cash flow.

Yet BlackPearl's shares have been hit much harder than Suncor's. Over the past 12 months, Suncor's shares are down less than 20%, while BlackPearl's shares are down nearly 50%. BlackPearl is also cheaper on a price-to-cash flow basis. That's created a golden opportunity.

2. TransCanada

With so many high-yielding oil and gas firms cutting their dividends, energy investors are looking for a payout they can trust. And Suncor's dividend is rock solid.

But at 3.2%, Suncor's dividend isn't particularly high yielding. Worse still, the dividend is unlikely to be raised any time soon, thanks to the decline in oil prices.

By contrast, pipeline operator **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) has a dividend yielding 4.0%. And the company hopes to raise its dividend by 8% per year through to 2017. Given the company's highly predictable business model, as well as the high demand for pipelines, this goal is very achievable. Dividend investors, take note.

3. Canadian Western Bank

If you’re looking to bet on oil, Suncor is understandably a go-to option. But there’s an even better bet: **Canadian Western Bank** (TSX:CWB).

CWB is heavily concentrated in western Canada, and as a result, its stock price tends to move in line with energy companies. The past 12 months have been no exception, with CWB’s shares declining nearly 30%—even more than Suncor.

This is extremely unfair to CWB, whose business is more diversified than many think. Energy production & services account for only 5% of total advances, and most loans are made outside of Alberta. In the most recent quarter, loans grew by 2% and net income increased by 5%.

So, it seems fairly ridiculous that CWB’s shares fell more than Suncor’s. Investors should take advantage.

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