



## Should You Buy Suncor Energy Inc. or Imperial Oil Limited Today?

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Imperial Oil Limited** ([TSX:IMO](#))(NYSE:IMO) are two of the largest integrated energy companies in North America, and both of their stocks represent very attractive long-term investment opportunities today. However, the laws of diversification state that we cannot own both, so let's take a closer look at the companies' first-quarter earnings results, their stocks' valuations, and their dividend yields to determine which is the better buy today.

#### Suncor Energy Inc.

Suncor's stock has fallen over 7.5% year-to-date, including a decline of over 14.5% since it announced its first-quarter earnings results after the market closed on April 29. Here's a summary of 10 of the most notable statistics from its report compared with the year-ago period:

1. Reported a net loss of \$341 million, or \$0.24 per share, compared to a net profit of \$1.49 billion, or \$1.01 per share, in the year-ago period
2. Revenue decreased 29.5% to \$7.39 billion
3. Average realized selling price of oil decreased 49.1% to \$47.67 per barrel in its Oil Sands segment
4. Cash operating costs per barrel decreased 20.2% to \$28.40 per barrel in its Oil Sands segment
5. Total production increased 10.5% to 602,400 barrels of oil equivalents per day
6. Suncor's share of Syncrude production increased 0.3% to 35,200 barrels per day
7. Refinery crude oil processed decreased 1.1% to 437,100 barrels per day
8. Operating earnings decreased 90.2% to \$175 million
9. Cash flow from operations decreased 48.8% to \$1.48 billion
10. Free cash flow decreased 73.5% to \$856 million

At today's levels, Suncor's stock trades at 38.2 times fiscal 2015's estimated earnings per share of \$0.89 and 17.4 times fiscal 2016's estimated earnings per share of \$1.95, the latter of which is inexpensive compared with the industry average price-to-earnings multiple of 26.9.

In addition, Suncor pays a quarterly dividend of \$0.28 per share, or \$1.12 per share annually, giving it

stock a 3.3% yield at today's levels. It is also worth noting that the company has increased its annual dividend payment for five consecutive years, and as long as commodity prices continue to recover over the next few months, I think this streak could continue for another five years.

## Imperial Oil Limited

Imperial Oil's stock has fallen over 3.5% year-to-date, including a decline of about 10.5% since it announced its first-quarter earnings results before the market opened on April 30. Here's a summary of ten of the most notable statistics from its report compared to the year-ago period:

1. Net income decreased 55.5% to \$421 million
2. Earnings per share decreased 55% to \$0.50
3. Revenue decreased 32.8% to \$6.2 billion
4. Average realized selling price of crude oil decreased 62% to \$27.21 per barrel
5. Average realized selling price of natural gas decreased 52% to \$3.15 per thousand cubic feet
6. Total production increased 0.9% to 333,000 barrels of oil equivalents per day
7. Crude oil and natural gas liquids production increased 16% to 290,000 barrels per day
8. Natural gas production decreased 21.4% to 143 million cubic feet per day
9. Refinery throughput volume increased 4% to 393,000 barrels per day
10. Cash flow from operating activities decreased 74.1% to \$281 million

At current levels, Imperial Oil's stock trades at 24.4 times fiscal 2015's estimated earnings per share of \$1.97 and 16.4 times fiscal 2016's estimated earnings per share of \$2.94, both of which are inexpensive compared with the industry average price-to-earnings multiple of 26.9.

Additionally, Imperial Oil pays a quarterly dividend of \$0.13 per share, or \$0.52 per share annually, which gives its stock a 1.1% yield at today's levels. The company has also increased its annual dividend payment for 19 consecutive years, making it one of the top dividend-growth plays in the industry today.

## Which energy stock should you buy today?

After comparing the companies' first-quarter earnings results, their stocks' valuations, and their dividend yields, I think Imperial Oil represents the better long-term investment opportunity today. Both companies reported weak first-quarter earnings results and Suncor has a much higher dividend yield, but Imperial Oil remained profitable in the first quarter, and its stock trades at much more attractive forward valuations, giving it the edge in this match-up. Long-term investors should take a closer look and consider beginning to scale in to positions today.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)

3. TSX:IMO (Imperial Oil Limited)
4. TSX:SU (Suncor Energy Inc.)

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