



Should You Buy Suncor Energy Inc. or Enbridge Inc.?

Description

Oil prices are rising on the back of a possible OPEC deal, and investors want to know which stocks are the most attractive picks for a rebound in the energy sector.

Let's take a look at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see if one deserves to be in your portfolio.

Suncor

Suncor is best known for its oil sands operations, but the energy giant also owns four refineries and a retail division with more than 1,500 Petro Canada service outlets.

The marketing operations provide a nice hedge against volatile movements in oil prices and help offset difficult times in the upstream business. As a result, Suncor has weathered the oil storm better than most of its peers.

The oil sands operations are still feeling the pinch of lower prices and took a solid hit in Q2 as a result of the shutdowns caused by the Albertan wildfires. Production is back up to previous levels, and higher prices should help margins in the current quarter.

Management is taking advantage of the strong balance sheet to invest for the future. The company has increased its stake in Syncrude to nearly 54% and recently announced a deal to acquire a 30% position in the North Sea Rosebank project.

Suncor pays a quarterly dividend of \$0.29 per share for a yield of 3.2%. The company has raised the payout five times in the past five years, but investors shouldn't expect large hikes until oil prices recover.

Enbridge

Enbridge doesn't produce oil, natural gas, or natural gas liquids; it simply transports the products from the point of production to the end user.

Most of the company's contracts on the major pipelines are with large, stable producers. The agreements tend to be long term and provide predictable and reliable revenue streams.

Enbridge recently announced plans to purchase **Spectra Energy** for US\$37 billion. The deal will make Enbridge the largest energy infrastructure business in North America and will boost the near-term development portfolio from \$16 billion to \$26 billion.

As these projects are completed and put into service, Enbridge should see cash flow rise enough to support annual dividend increases of at least 10% through 2024.

The current dividend offers a yield of 3.7%.

Which stock is a better pick?

Suncor and Enbridge are both industry leaders with strong businesses that should perform well for decades.

If you have to choose just one, I would buy Enbridge for its higher yield and strong dividend-growth prospects in the medium term.

CATEGORY

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
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