



## Is it Time to Buy These 2 Oil Giants?

### Description

The price of oil has had its peaks and valleys over time; however, it took a severe hit in 2015. Oil prices went from \$100/barrel in spring 2014 to about \$30/barrel in the winter of 2015. With the staggering drop in oil prices, oil companies suffered major losses.

However, like most commodities, oil prices are cyclical, and they have risen back to about \$50/ barrel. With Trump's preference of non-renewable energy sources, and oil prices expected to continue to rise, is it time to acquire exposure to the oil industry?

**TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) are two oil companies investors should consider.

### TransCanada Corporation

TransCanada is a North American operator of natural gas and oil pipelines. Investors who'd acquired shares in TransCanada in 2000 have seen an average annual return of 15% with dividend increases for the past eight years.

With the company shifting its focus on long-term growth opportunities outside western Canada, the company is expected to grow its current yield of 4% by 8-10% annually until 2020. With its five natural gas pipeline projects in Mexico, TransCanada should meet those targets as the Mexico projects will double the company's natural gas output by 2020.

Even if the Keystone XL pipeline falls through, TransCanada has the revenue streams and resources to continue to rebound from 2015 and provide solid returns for investors.

### Suncor Energy Inc.

Suncor is one of the largest oil and gas producers in Canada. After taking a significant loss in 2015, the company has rebounded and boosted a strong balance sheet. The company was able to maintain reasonable debt levels through the downturn with a debt-to-equity ratio of 0.4.

In addition, Suncor has been able to decrease its operating cost per barrel by 35% since 2013. Therefore, with oil prices expected to rise, the company's cash flows should continue to grow. Suncor has over \$3 billion in cash on hand, and a turnaround in oil coming, so Suncor should continue to grow its current operations and dividend yield of 3%.

### **Foolish bottom line**

With any company that is linked to a specific commodity, the commodity's market value can ultimately dictate a company's performance. Therefore, investors run the risk of betting on oil's rebound in order for these companies to outperform the market.

However, both of these companies are large players in the oil industry and have demonstrated they can weather the storm. With strong barriers to entry in the oil and gas sector and significant start-up costs, large players such as TransCanada and Suncor will perform well if oil prices continue to increase.

If you want exposure to the oil industry and believe it will rebound, you would be well advised to stick with these industry strongholds.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TRP (TC Energy Corporation)

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