



Is Cenovus Energy Inc. or Suncor Energy Inc. Attractive Right Now?

Description

Oil sands producers continue to battle low oil prices, but some are being punished more severely than others.

Let's take a look at **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) to see if one deserves to be on your buy list.

Cenovus

Cenovus was a \$30 stock three years ago. Today, investors can pick it up for close to \$10.

The downturn in the oil market is primarily responsible for the plunge, but recent events at the company have added additional investor pain.

What's going on?

Cenovus bought out its 50% joint-venture oil sands partner **ConocoPhillips** for \$17.7 billion in a deal that makes Cenovus a major oil sands player and adds significant assets in the Deep Basin play in Alberta and British Columbia.

On the surface, the deal seems to make sense since Cenovus already operates the oil sands assets.

However, investors don't like the fact that the company's debt load has jumped as a result, and there are concerns the planned sale of non-core assets will not bring in the \$4-5 billion the company expects to get to help pay off a bridge loan used to secure the deal.

Cenovus is looking for buyers for its legacy conventional oil assets.

The company also has 50% interests in two refineries in the United States. These are not part of the planned assets sales.

Suncor

Suncor's shares have held up much better through the oil rout. The stock traded at \$45 per share three years ago and is selling for \$39 at the time of writing.

The company's strong balance sheet and integrated business structure are primarily responsible for the stable performance.

Suncor is mainly known as an oil sands giant, but the company also owns four refineries and more than 1,500 Petro-Canada retail locations. The downstream assets have helped offset the lower margins in the production segment, and the company has even increased its dividend through the downturn.

Suncor has used the tough times to add strategic assets at attractive prices. If oil recovers, investors should see strong returns on the investments.

Is one a better bet?

You have to be an oil bull to buy any of the oil sands companies today. If you fall in that camp, the decision on Cenovus or Suncor depends on when you think oil will begin to recover.

Contrarian investors who think a rally is imminent might want to take a shot at Cenovus while it is out of favour.

Otherwise, Suncor is the safer bet, and you can pick up a 3.2% yield while you wait for better days.

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