Should You Buy Suncor Energy Inc. or Cenovus Energy Inc. Right Now?

Description

Investors are watching the recent oil rally and wondering which stocks in the energy sector might be attractive additions to their portfolios.

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

Suncor

Suncor is primarily known as an oil sands producer, but the company also owns refineries and more than 1,500 Petro-Canada retail locations.

The diversified revenue stream is a big reason the company's stock has held up so well during the downturn. In fact, Suncor's share price is higher today than it was at this time three years ago.

The company has taken advantage of the oil rout to add strategic assets at attractive prices, including the acquisition of Canadian Oil Sands, which gave Suncor a majority position in the Syncrude project.

Suncor also has organic developments underway. Two of the larger ones, Fort Hills and Hebron, are expected to begin production by the end of 2017.

The company continues to raise the dividend, and investors could see another bump in the payout once the new assets begin generating cash flow. The current yield is 3%.

Cenovus

Cenovus has endured a rough ride through the downturn and especially in 2017.

Why?

The company made a $17.7 billion bet earlier this year when it bought out its oil sands partner, **ConocoPhillips**. The deal doubled oil sands production as well as the oil sands resource base. It also gave Cenovus a significant presence in the growing Deep Basin plays in Alberta and British Columbia.

On the surface, the purchase makes sense. Cenovus already operates the oil sands facilities and knows the potential the resource base holds.

The market, however, responded negatively to the acquisition.

What's the scoop?

Cenovus took on a large bridge loan to cover the cost, while it seeks out buyers for non-core assets. Until recently, the market had concerns that Cenovus would not find buyers at attractive prices.

Those worries are beginning to fade. Cenovus sold its Pelican Lake assets for $975 million and just announced the sale of its Suffield assets for $512 million.

The company is hoping to get $4-5 billion for all the properties it plans to sell, so there is still work to be done, but the process appears to be moving along well.

Investors who'd bought the stock a month ago are already looking at gains of more than 30%, and more upside could be on the way.

Is one more attractive?

Both companies should deliver strong returns as oil moves higher.

Suncor is a safer bet and provides a nice dividend yield. If you are concerned the recent rally might not hold up, but are a fan of oil as a long-term play, Suncor is probably the better choice.

If you think oil is definitely going higher in the coming months and into next year, Cenovus still looks oversold and likely offer more upside torque in the near term.

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