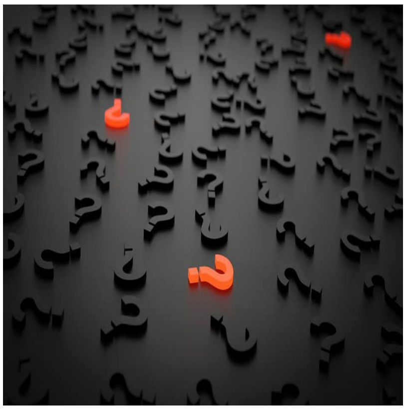

Which Is the Better Buy: Cenovus Energy Inc. or Enbridge Inc.?

Description

Oil prices have been on a good run the past year, although we are starting to signs of a resistance and a recovery that could prove limited. West Texas Intermediate (WTI) prices have seen a big improvement in the past year, rising to around US$66 a barrel before seeing a pullback in price. We've seen a similar pattern with Brent oil prices recently hitting US$70 before falling again.

What's perhaps most intriguing is that we aren't seeing this translate into higher stock prices in the industry. In fact, we've seen oil stocks continue to fall. I'm going to look at two big oil stocks to see which one could be a better buy and if either one is worth investing in today.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) continues to fight the market, as the stock is down 4% in the past month and it has declined 20% since the start of the year. For its efforts, the company has been putting together some strong results. In its most recent quarter, sales were up 38%, although some big one-time impairment charges hurt what was otherwise a very strong year for the company.

Although Enbridge's per-share earnings took a hit, the stock is still trading at only 24 times its profits. At a multiple of just 1.3 times its book value, the stock is very well priced for an investor who isn't afraid to take on some risk.

The company also offers investors a very attractive yield of 6.8%. Enbridge recently hiked its payout, and in five years, payments have more than doubled, averaging a compounded annual growth rate of over 16%. Even if the company can't continue to maintain such an impressive rate of growth, investors will likely see their payouts rise over the years, especially if the industry continues to recover.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) had a very difficult year in 2017 that saw the stock hit all-time lows amid much controversy surrounding its management and a decision to face more exposure in the oil sands at a time when many companies were looking to hedge their positions.

Year-to-date, its stock is also down 7%, but in the past month, it has begun to find some momentum as the share price has climbed more than 9%. Cenovus has made some strong rallies in the past year, but it could not keep the share price from falling again.

With a yield of less than 2%, the stock won't offer you as an attractive dividend as that of Enbridge, but it's an even better buy for value investors. With a price-to-earnings ratio of just three and the stock trading well below book value, Cenovus is priced very low with a lot of potential upside should oil prices continue to rise.

In its last quarter, Cenovus saw its revenues climb more than 40%, while profits were more than six times the $91 million that the company recorded just a year ago. If Cenovus can continue to build on these results, then it's only a matter of time before the stock emerges from the gutter.

Bottom line

With stronger financials, more consistency, and a dividend that still looks strong, I'd invest in Enbridge over Cenovus today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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