Enbridge Inc. (TSX:ENB) vs. Suncor Energy Inc. (TSX:SU): Which Stock Is a Better Buy?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) have a lot in common.

Both companies are top operators in North America's energy space. Both have a long record of rewarding their investors with growing dividends. If you're planning to hold these stocks to earn income, you have a tough choice to make. Let's try to find out which stock is offering better value for your dollars if you buy them today.

Enbridge

Shares of Enbridge have been slowly recovering their lost ground this year as the company implements its plan to restructure its asset base and cuts its debt load. During the past few weeks, the North America's largest pipeline operator has delivered many good news, which injected some life back into its beaten-down stock.

First, they received approval of the company's controversial Line 3 Replacement Project by Minnesota Public Utilities Commission, followed by a $4.3-billion deal for the sale of its natural gas gathering and processing business in Western Canada to **Brookfield Infrastructure Partners LP**.

Both developments were net positive for the company's stock, which at one point, had lost a quarter of its value this year on investors' concern that the company wouldn't be able to maintain its double-digit growth in payout if the debt level remains so high.

After selling more than $7 billion of assets and with growth momentum in its earnings, Enbridge now looks quite attractive. After a strong summer rally that saw its stock gaining more than 15%, Enbridge is still yielding 5.8%. That yield is much more than the company's five-year average of 3%.

Suncor

Suncor, one of the largest oil-sand operators, is another energy player to earn steady dividend income. Its stock has had a powerful rally this year on the back of rising oil prices. But buying Suncor just because its growth linked with oil markets wouldn't be a good strategy.

The biggest advantage of investing in Suncor is that it has a diversified asset base that continues to produce cash even during a downturn in oil prices. It's an integrated energy company with a portfolio of high-quality assets, including oil sands extraction, refining, and marketing the energy products to industrial, commercial, and retail customers. In Canada, Suncor operates more than 1,500 Petro-Canada stations.

Since the 2014 oil downturn, Suncor has undertaken an aggressive cost-cutting program. During the past five years, Suncor's cost of digging a barrel of crude oil has fallen to $23.80 in 2017 from $37 in 2013, thereby representing the lowest level achieved in more than a decade.

With an annual dividend yield of 2.67%, Suncor is also a great dividend growth stock. During the past five years, its payout has grown 22%. Early this year, Suncor board approved a 12.5% hike in its quarterly dividend to $0.36-a-share, which marked the 16th consecutive annualized dividend hike.

The bottom line

I find both Enbridge and Suncor attractive dividend stocks to hold in your income portfolio. If you have to pick one from the two, then I find Enbridge valuation more appealing after a pullback in its stock price this year.

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