Should Husky Energy Inc. (TSX:HSE) or Suncor Energy Inc. (TSX:SU) Stock Be in Your Portfolio?

Description

Rising oil prices are bringing interest back into the Canadian energy sector, and investors are wondering which energy stocks might be attractive today.

Let's take a look at **Husky Energy** (TSX:HSE) and **Suncor Energy** (TSX:SU)(NYSE:SU) to see if one deserves to be on your buy list.

Husky

Husky just announced a $6.4 billion hostile takeover proposal for oil sands producer **MEG Energy** (TSX:MEG). If Husky is successful, the addition of MEG would boost Husky's production to more than 400,000 barrels of oil per day.

The offer of $11 per share is 37% higher than the closing price before the bid was announced. The large premium suggests Husky sees long-term value in the MEG assets and is positive on the outlook for the oil market.

Husky is an integrated energy company with production and downstream assets in North America and offshore projects in Asia.

In Canada, Husky operates oil sands facilities in western Canada and offshore developments in the Atlantic. Husky also has a number of refineries located in the United States, with total refining and upgrading capacity of 400,000 barrels per day.

The Asian business includes offshore natural gas projects in China and Indonesia.

The company had to cut its dividend during the oil rout to preserve cash flow, but recently raised the payout on the back of strong Q2 2018 results. Husky is targeting annual free cash flow growth of 9% through 2022.

The stock is down on the MEG bid and currently trades near $21 per share at writing, offering contrarian investors a chance to get in on the dip. Husky traded for more than $50 per share in the past, so the upside potential could be substantial, especially if oil prices continue to strengthen.

Suncor

Suncor is Canada's largest integrated energy company with production, refining, and retail operations.

The company's strong balance sheet and diversified revenue stream provided Suncor with theflexibility to grow through the downturn, which is paying off now that oil prices are recovering. Suncoradded significant resources and production through acquisitions and stayed focused on majordevelopment projects, including Fort Hills and Hebron, which entered commercial operations this year.

Suncor raised the dividend every year through the downturn and increased the payout by 12.5% in 2018.

The stock currently trades for about $50 per share, which is slightly off the 12-month high. In 2008, the shares topped $70.

Is one a better bet?

Husky and Suncor should be solid picks for investors who have a bullish outlook on oil.

Husky has made good progress on its turnaround efforts and the MEG bid is an interesting development. The stock likely carries more risk than Suncor, but could also provide more upside torque. If you have a contrarian investing style, Husky might be an interesting bet today. Otherwise, Suncor should be a good buy-and-hold energy play.

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