Which Top Energy Stock Is Better for Your TFSA: Suncor (TSX:SU) or Pembina (TSX:PPL)?

Description

Here's a word you don't hear a lot in the investing world: *guarantee*.

Well, it's this word that I'm going to talk about today when looking at **Suncor Energy** (TSX:SU)(NYSE:SU) and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA).

Now, to be clear, I'm not guaranteeing you'll see your $10,000 investment turn into $100,000 next month, but there are other extremely attractive reasons to put your TFSA money into shares of these two energy companies. If you're only going to invest in one, then let's take a close look at each company's future outlook.

The sunny side of life

The Calgary-based company has been hitting the headlines hard lately with its vocal opposition to the cuts to crude production in Alberta. While no energy company wants to cut back, it's clear why Suncor is so vocal about it. Granted, the company has been benefiting from cheaper oil prices due to its diversified business model, but it has also been making some huge acquisitions lately with hefty price tags.

Suncor has spent $9 billion in the past year on acquisitions to expand its oil sands assets. Low gas prices have slowed any potential growth for Suncor, but those prices won't stick around forever.

The future looks bright for Suncor investors. As a diversified company, it isn't being hit as hard as other energy companies during this time of low oil prices. When the prices rebound, Suncor is set up to make some major coin, as its acquisitions start producing over the next several decades.

Right now, the stock is definitely undervalued, but the immediate future is a bit uncertain. Analysts have put this stock at a "buy" at the time of writing this article, with a price of around $40. In the next year the price could be anywhere between $50 and $70 depending on gas prices. At least investors will get a nice dividend of 3.81% in the meantime.

Pretty in Pembina

Now if we're going to talk about dividends, we have to talk about Pembina. So, let's get this out of the way and just let you know that at the time of writing this article, Pembina is doling out a dividend of 5.29% monthly. That is not a typo!

But that yield doesn't mean much if the company isn't doing well, and although it isn't an oil and gas producer, it's still been affected by the market as an oil and gas transporter. Pembina has definitely been on the same roller-coaster ride as energy producers this past year.

That being said, the company hasn't been hit as hard as those producers have. Shares have dropped about 10% from 52-week highs, which is much lower than the industry average of about 30% if you're looking at **S&P/TSX Capped Energy Index**.

This is in part due to the company's guaranteed long-term contracts, which puts Pembina's beta measure of volatility at 0.33. But another reason Pembina has remained strong is its future outlook. The company's focus on growing its already extensive pipeline system will bring in a stable cash flow of $3.1 billion by 2020, with four more phases already in the pipeline (if you'll pardon the pun).

The only real downside to Pembina is that while analysts are still recommending it as a buy, it's pretty fairly valued. As I'm writing this article, shares are about $43 and forecasted to reach somewhere between $50 and $60 by the end of 2019.

Bottom line

Both of these energy companies are great options to add to your TFSA. But if you're only going to go with one, it depends on what you're looking for. If you want a steady paycheque coming in each month with some low-risk growth over the long term, I'd go with Pembina. But if you're willing to wait, Suncor's acquisitions put it in an incredibly exciting position to make some big gains when oil prices rebound.

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2. NYSE:SU (Suncor Energy Inc.)
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Author
alegatewolfe