



## TFSA Investors: Should You Buy Enbridge (TSX:ENB) or Suncor Energy (TSX:SU)?

### Description

Canada is one of the countries with the most proven oil and natural gas reserves in the world. The current known energy reserves can last for a long time, and as long as the cost of recovering oil and natural gas is profitable, companies in the energy sector can keep on reaping the benefits for years.

This factor makes energy companies excellent options if you're looking for steady income, perhaps with a view to growing said income tax-free in your TFSA. Let's look at two of the largest Canadian energy companies: **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Which is the better option for TFSA investors?

### Enbridge Inc

As a midstream company, Enbridge focuses on the distribution and transportation of natural resources, and the company's portfolio is diversified. Not only does Enbridge operates crude oil pipelines — which are critical to the transportation and distribution of oil to millions of consumers — but the company also is also one of the domestic leaders in the regulated gas distribution sector.

Regulated utilities make for very predictable cash flows, which is a plus for both the company and its shareholders.

Enbridge is showing no signs of slowing down its growth. The company has several ongoing projects. Chief among these is the Line 3 Replacement program, a multi-billion-dollar project that is touted as the largest in the company's history.

Line 3, an oil pipeline running from Alberta to the U.S. Midwest (and serving millions of customers in the process), was in dire need of being replaced with a newer model at the cutting edge of scientific advances. In addition to reaching more customers, this project will allow Enbridge to attain greater efficiency and productivity.

Further, Enbridge recently acquired Spectra Energy, a Texas-based midstream company. The

resulting entity will become the largest energy infrastructure company in North America. In short, Enbridge has no shortages of opportunities for growth, and investors should benefit from its expanding portfolio.

Over the past five years, the company's dividends have increased by 110%, and are set to continue growing by 10% per year through 2020. Though Enbridge's forward price-to-earnings ratio seems a bit high at 17.63, it is not uncommon for such a dividend superstar to command a premium on the market.

## Suncor Energy

Suncor is one of the largest integrated energy companies in Canada, and it has been one of the better-performing ones on the market. Though last year's volatile equity markets took a toll on the Calgary-based firm, the company generally offers investors a lot of stability.

Dividend growth is also one of the hallmarks of Suncor. Over the past five years, the energy company has increased its dividend payouts by nearly 83%. Suncor's payout ratio currently stands at 71.29%, a decent figure given how capital-intensive the industry is.

How long can Suncor continue to reward its shareholders? Please note that Warren Buffet — the man widely regarded as the greatest contemporary investor — [recently purchased shares of the company](#). Mr. Buffet is known for buying stocks with strong growth prospects and sustainability potential, and Suncor seems to fit the bill.

The firm is in the midst of revamping several of its business operations to boost productivity and efficiency. Toward the end of last year, the company announced that its production should increase by 10% this year. This growth — despite headwinds from the government of Alberta — is primarily due to new production facilities.

Suncor released its latest results on Wednesday, which showed that the company beat analysts' estimates. Oil Sands production grew by 15%, while net earnings and funds from operations increased by 86% and 19%, respectively. Suncor is currently trading at about 13 times future earnings as the company's share price shed much of its value last year.

Nevertheless, Suncor seems to be reasonably priced, and investors looking for stable income by way of dividends would do well to consider it.

## Which one should you buy?

TFSA investors probably can't go wrong with either of these stocks, but if I had to pick one, I would choose Enbridge. The company currently seems better positioned to keep growing its earnings and dividends for years, in addition to being a bit more diversified than Suncor.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
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