Should You Buy Suncor Energy (TSX:SU) Stock or This Green Alternative?

Description

Today we'll look at whether one of the top energy stocks on the **TSX Index** still has what it takes to bring defensiveness to a Canadian passive income portfolio. With fear stalking the markets and further uncertainty on the horizon, the rest of 2019 could be a volatile time for stocks – so is an investment in the oil and gas industry really the best place to hide? Let's take a look at the stats.

Is this still a stock to buy and hold?

With a chunky market cap of $68 billion and stable market share, **Suncor Energy** (TSX:SU)(NYSE:SU) is one of the most commonly recommended Canadian stocks for a new investor. However, aside from its admittedly attractive dividend yield of 3.88%, and some indications of middling good value, the data for Suncor Energy paints a fairly pedestrian picture at the moment.

For instance, its one-year past earnings growth of 2% trailed the Canadian oil and gas industry average of 8.6%, making for an underperforming investment, though overall a five-year average growth of 16.9% matches the industry, while its beta of 1.44 relative to the TSX index reveals its higher than market volatility. Volatility and underperformance don't make for good bedfellows when it comes to defensive attributes.

Moving on to value and health, a PEG of 2.8 times growth denotes less-than-optimal valuation in terms of growth. Indeed, we've already seen that growth is an issue here; a mediocre 6.4% expected annual growth in earnings does little to amend the situation. Meanwhile, Suncor Energy has lets its level of debt to net worth creep up over the past five years from 27.9% to the current 43.3%, just inside the danger zone.

A worthy challenger from the clean energy sector

From natural gas to hydroelectric power generation, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is nicely diversified across energy types as well as geographical regions. With a market cap of $8 billion it's a considerably smaller concern than Suncor Energy, though certainly still large enough to add some defensive clout to a portfolio.

Returns of 25.8% beat the industry average over the past year and make this outperforming option a better choice than Suncor Energy, according to this one key metric. Furthermore, Algonquin Power & Utilities' lower beta of 0.48 relative to the market makes Algonquin Power & Utilities a better insulated play for defensiveness.

Add to this a one-year past earnings growth rate of in excess of 600% and a five-year average growth of 20.3%, and a picture of a sturdier stock with a stronger track record emerges. A higher dividend yield of 4.84% and better outlook shown by an expected 17.5% annual growth in earnings round out the reasons to buy, with the only downside being overvaluation shown by slightly higher market fundamentals.

The bottom line

When Suncor Energy goes head-to-head with a renewable option for that buy-and-hold spot in your energy portfolio, you know that value ratios are going to come into the calculations somewhere. The fact is that while Suncor Energy is better valued, with a P/E of 17.5 times earnings and P/B of 1.5 times book, Algonquin Power & Utilities comes out on top in some key areas and may in fact be the better stock.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date

2025/09/15
Date Created
2019/05/21
Author
vhetherington