1 Top Energy Stock To Buy Instead of Enbridge (TSX:ENB)

Description

The Canadian energy sector investors have been facing a challenging 2019 so far. The ongoing delays in the Trans Mountain expansion, along with regulatory issues, are causing problems for oil companies in Canada, thereby scaring investors away from the sector.

Enbridge Inc. is one of the most promising prospects for investors to consider when they think about Canadian energy sector stocks. It is the forerunner to drain the oil patch with the Line 3 pipeline and arguably the most likely to succeed.

There is every chance that ENB can make investors wealthier. Still, there is another, potentially more lucrative energy sector stock you might consider.

Natural resources galore

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is another energy industry giant in Canada. CNRL was unable to insulate itself from the problems with the energy sector.

The low oil and natural gas prices have driven down most of the players in the industry. ENB enjoys more of a cushion to this end, as it relies on transportation more than on production.

At the time of writing, CNRL is trading at $33.73 per share at writing, 20% down from its 52-week high of $42.17 per share back in April 2019. Like a lot of great companies, CNQ is using the slowdown as an opportunity to recollect itself, increase its efficiency, and drive a better bargain for investors.

Doing well

The low valuation of CNRL’s stock does not mainly reflect on how well the company is performing. The cash flow generation rose from $2.5 billion in 2017 to a remarkable $4.6 billion this year.

The quarterly results in June 2019 showed that the company performed much better than it did last year. Net earnings for CNQ were $2.8 billion in the quarter compared to $982 million in the same period the previous year.

The company enjoyed the benefits of Alberta announcing a tax cut from corporate tax rates to 8% from a previous 12%. Canadian Natural Resources returned a total of $840 million to shareholders.

It bought back $391 million of shares, along with distributing $449 million in dividends. The company also cut down on capital spending, keeping expenditures to a minimum.

Foolish takeaway

While I will take nothing away from the long-term prospects of ENB, I believe that Canadian Natural Resources is a much better buy right now. The company used the slowdown in the sector to make a few terrific buys for low costs.

Devon Energy, for instance, makes an excellent deal for CNRL. The company has the potential to produce over 120,000 barrels of oil per day.

Analysts are pegging CNRL to gain over 32% in value over the next year based on an average target price of $45.2 per share. Add an almost 20-year record of increasing dividends, and I think CNRL could be a better buy than ENB.

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