



Comparing 2 Canadian Energy Giants

Description

Much of Canada's energy is manufactured from hydroelectricity, coal, and nuclear power. Although I am not personally bullish on this industry, investing in energy may allow for a broader diversification in an investor's portfolio as it is a major component to everyday life in Canada.

In this article, I will discuss Canada's top two energy companies: **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)).

Overview

At the time of writing this article, both Enbridge and Suncor Energy are constituents of Canada's respected **S&P/TSX 60**, an index of 60 large companies listed on the **Toronto Stock Exchange**. This indicates that these companies are leaders in the energy industry, as the index is meant to represent the leading companies in important Canadian industries.

[Enbridge](#) was founded in 1949 and is currently headquartered in Calgary, Alberta. It is an energy infrastructure company that focuses on energy transportation, distribution, and generation. The company operates a network of crude oil, liquids, natural gas pipelines, and regulates natural gas distribution.

[Suncor](#) is a much older company, founded in 1919 in Montreal, Canada. Like Enbridge, it is currently headquartered in Calgary, Alberta. Suncor Energy is an integrated energy company that concentrates on developing petroleum resource basins in Canada's Athabasca oil sands. The company engages in the exploration, acquisition, development, production, refining, transportation of crude oil.

Valuation and performance

In terms of valuation, Enbridge is the bigger company by a long shot. It is currently sitting at a market cap of \$61.44 billion, compared to the lesser \$25.61 billion market cap of Suncor.

However, by looking at the fundamental metrics, we can observe that Enbridge has a sky-high trailing 12 month (TTM) price to earnings ratio of 42.08, compared to that of Suncor (7.46). With this metric, we can infer that Suncor is earning more money per share relative to the price of its stock. This suggests that Suncor is undervalued relative to Enbridge.

From 2018 to 2019 Enbridge's total revenue grew from \$46.38 billion to \$50.07 billion, representing a 7.96% increase. Meanwhile, Suncor's total revenue declined from \$38.54 billion to \$38.34 billion, representing a 0.51% decrease. These results may indicate that the demand in Enbridge's customer base is more sustainable than that of Suncor.

The huge difference in revenue year over year from 2018-2019 definitely influenced investors' decisions when choosing between these two stocks. Over the past year, Enbridge stock has declined 16.26%, compared to Suncor's plummet of 47.26% over the same period.

However, the stock performances over the past five years have been more similar. Enbridge's share price has decreased by 33.42% over that period, while Suncor has fallen 37.84%.

Foolish takeaway

It would be most foolish to make investment choices based on the history of these companies alone without examining what may await for them in the future. Although valued more than two times less than Enbridge, Suncor is not the company I would choose to invest in between these two companies. Enbridge has been the better performer in terms of stock price and has shown more sustainable increases in revenue.

Although I am not excited by either company, if you are set on diversifying into one of Canada's biggest industries, I would choose Enbridge over Suncor.

CATEGORY

1. Energy Stocks
2. Investing

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)

3. TSX:ENB (Enbridge Inc.)
4. TSX:SU (Suncor Energy Inc.)

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