



Better Buy: Suncor (TSX:SU) vs. Enbridge (TSX:ENB)

Description

The **S&P/TSX Composite Index** bounced back on September 22. It rose 161 points with the energy sector leading the way. Today, I want to look at two of the top players in the Canadian energy space. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) are two heavyweights in the sector. While the COVID-19 pandemic has hurt oil and gas demand, it did experience a rebound in the summer. Unfortunately, several countries in the developed world are now considering a second round of lockdowns. This could punish energy stocks going forward.

Today, I want to look at these energy titans. Which is the [better buy](#) today? Let's dive in.

Why Suncor Energy lost momentum this month

In 2017, Suncor's then-CEO Steve Williams said that the Canadian oil sands would still be operating 100 years from now. The statement illustrated Suncor's ironclad confidence in the sustainability of its business model. Shares of Suncor have dropped 58% in 2020 as of close on September 22. The stock is down 18% month over month.

Investors can expect to see its third quarter 2020 results in late October. In Q2 2020, Suncor reported an operating loss of \$1.49 billion or \$0.98 per share – down from operating earnings of \$1.25 billion or \$0.80 per share in the prior year. The company posted total upstream production of 655,500 boe/d – down from over 800,000 boe/d in Q2 2019. It was forced to adjust due to lower demand.

Shares of Suncor last had an attractive price-to-book value of 0.7. It last reduced its quarterly dividend to \$0.21 per share. This represents a solid 4.9% yield.

Is Enbridge still worth it for the dividend?

Enbridge stock has dropped 16% in 2020. The largest energy infrastructure company in North America has also seen its shares fall 6% over the past month. It released its second quarter 2020 results on July 29.

The company's GAAP earnings fell to \$1.64 billion or \$0.82 per share – down from \$1.73 billion or \$0.86 per share in the prior year. Still, Q2 2020 was relatively strong for Enbridge given the hurdles it faced in the form of the pandemic. Distributable cash flow (DCF) rose to \$2.43 billion – up from \$2.31 billion in Q2 2019.

Back in May, I [discussed](#) why I thought Enbridge was a steal. The stock has dropped 1.4% over the past three months. Its shares last possessed a high price-to-earnings ratio of 42 but a solid P/B value of 1.4. Historically, Enbridge has garnered attention for its stellar dividend payout. It currently offers a quarterly distribution of \$0.81 per share. This represents a tasty 7.9% yield.

Verdict

Suncor has seen this crisis significantly eat into its earnings, while Enbridge has continued to deliver strong results. Moreover, the latter has managed to maintain its hefty dividend. Enbridge has faced the odd regulatory battle, but it continues to offer steady and promising growth potential. I'm sticking with Enbridge in late September.

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