



## Suncor Energy (TSX:SU) or Enbridge (TSX:ENB): Better Buy?

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) have been under a profound amount of [pressure](#) this year. [COVID-19 headwinds](#) have worked their course. With a handful of effective vaccines ready to be rolled out over the coming weeks and months, the pandemic's end is in sight, paving the road for certain high-quality energy stocks that could have ample room to run in 2021.

The ailing energy sector is arguably the least attractive sector to put money in right now. Fossil fuels are out, and green energy is in. At least, for now. Come 2022, we could witness the tides turn, as dirt-cheap fossil fuel plays are oversold, undervalued, and overdue for a more meaningful recovery, whereas many renewable energy plays out there could be severely overvalued, with a high risk of correcting in a potential clean-to-dirty energy rotation.

If you seek a shot at market-beating gains, you've got to think contrarian. And right now, some of the best deep-value plays lie in Canada's energy patch. Suncor and Enbridge are two former dividend darlings that have come upon hard times. With so much pessimism surrounding both names, I don't think it'll take much of a positive surprise to move the needle in either stock.

But are your investment dollars better spent on a top-tier integrated in Suncor? Or could pipeline kingpin allow investors to lock-in a massive dividend yield alongside a shot at outsized capital gains in an upside correction?

Let's have a closer look at each name to see which is the better bet for your contrarian portfolio at this juncture.

### Suncor

I pounded the table on Suncor stock when it touched down with the \$15 level of support. The stock was trading at a sizable discount to its book value at the time despite still generating ample amounts of cash flow.

While the company does have a smaller dividend yield (currently at 3.94%) after the dividend was cut a few months ago, I'm a huge fan of the state of the balance sheet, which looks to be among the best in the entire Canadian oil patch.

Despite the recent run-up to \$21 and change, the stock is still dirt-cheap at near one times book value. After a massive 50% pop on the back of vaccine news, I urged investors to wait for a retracement back to the teens.

Following the stock's latest correction from its November highs, I'd say the stock is worth nibbling on if you're hungry for value in a rather frothy stock market.

## Enbridge

Like Suncor stock, shares of Enbridge have not looked back after the slate of good news in early November. The stock has bounced modestly (now up 18% from its 52-week lows), and the dividend has compressed by the slightest of margins to around 7.7% at the time of writing.

With a shareholder-friendly management team, investors can expect Enbridge's dividend to hold up for the duration of this crisis. Sure, the payout is stretched, but its managers are more than likely to swim to great lengths (once again) to maintain its dividend commitment. I don't suspect they'll have to, though, as Enbridge's financial positioning is quite solid.

On November 30, the firm went to work on its much-delayed Line 3 Replacement (L3R) pipeline, which is to act as a major source of medium-term financial relief. Still, some risks stand to delay the L3R's completion, as the project still faces much resistance, with a lawsuit and other potential hurdles that Enbridge may run into.

Despite the headwinds, Enbridge stock looks severely undervalued at just 1.4 times book value. The risk/reward looks terrific heading into 2021, and the dividend is as attractive as ever.

## Better buy?

Both Suncor and Enbridge are great contrarian ways to play a bounce-back in the ailing energy sector. I'd look to buy both stocks right now. However, if I were forced to choose one, I'd have to go with Enbridge, as the juicy 7.7%-yielding dividend is tough to pass up.

### CATEGORY

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2. Energy Stocks
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### TICKERS GLOBAL

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

4. TSX:SU (Suncor Energy Inc.)

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