Enbridge vs. Suncor: Which Is the Better Buy Today?

Description

Canada's energy sector has received a much-needed boost from rising oil and gas prices over the last few months. In February, **Goldman Sachs** projected that the price of West Texas Crude would reach US$75/barrel on the back of improved demand and continued production cuts from OPEC. This is good news for the top energy stocks on the **TSX.**

Today, I want to look at two heavyweights in this space: **Enbridge** (TSX:ENB)(NYSE:ENB) and **Suncor** (TSX:SU)(NYSE:SU). Which is the better buy today? Let's dive in.

Why you can trust Enbridge for years to come

Enbridge is the largest energy infrastructure company in North America. Its shares have climbed 10% in 2021 as of early afternoon trading on March 17. The stock is up nearly 20% in the year-over-year period. Investors can look forward to the release of its first quarter 2021 results in May.

In 2020, Enbridge reported adjusted EBITDA of $13.2 billion, which was flat from the prior year. However, adjusted earnings came in at $4.89 billion – down from $5.34 billion in 2019. Enbridge has encountered regulatory pushback south of the border in recent months. Michigan Governor Gretchen Whitmer revoked the 1953 easement that allowed the Line 5 pipeline to operate freely for 65 years. Enbridge predicts that the legal battle will continue for "years," which is why I'd suggested investors could trust the top energy stock in the near term.

Shares of Enbridge last had a price-to-earnings ratio of 30, putting it in better value territory than the industry average. Meanwhile, the top energy stock offers a quarterly dividend of $0.835 per share, which represents a tasty 7.3% yield.

Suncor stock is surging on the back of the oil and gas rally

Suncor is another top energy stock on the TSX. The Calgary-based company specializes in production of synthetic crude from oil sands. It has pushed back against predictions of the demise of the oil sands.

Former CEO Steve Williams said in 2017 that oil sands extraction would continue for a century. Shares of Suncor have climbed 33% in 2021 so far. The stock is up nearly 60% year over year.

While the company reported improvement in Q4 2020, it still struggled mightily for the full year. It posted a net loss of $4.31 billion – down from net earnings of $2.89 billion in 2019. Fortunately, Suncor's operating loss improved markedly in the fourth quarter compared to Q3 2020. The US$80 price point is the big target for Suncor. At that stage, its profitability stands to receive a big boost that could provide relief after a brutal 2020.

Suncor was forced to drop its quarterly dividend to $0.21 per share in 2020, which represents a 2.9% yield. Hopefully, continued earnings improvement will lead to a dividend hike in the quarters ahead.

Which stock is the better buy today?

In February, I'd suggested that both stocks were worth holding onto for the long term. Enbridge is the better bet for income investors right now, but in terms of growth I'm sticking with Suncor. If Goldman Sachs' oil prediction shakes out, Suncor will benefit in a big way. It still offers a solid entry point price wise for investors right now.

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