



## Enbridge (TSX:ENB) vs. Suncor (TSX:SU): Which Energy Stock Is a Better Buy?

### Description

The COVID-19 pandemic weighed heavily on energy stocks. As businesses were shut, lower oil demand sent commodity prices spiraling downwards. Lower oil prices severely impacted the revenue and profit margins of energy stocks and several companies cut or entirely suspended their dividends.

Now, as oil prices have recovered and demand is normalized, is it time to look at Canada's energy giants **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#))?

### Enbridge has a diversified business

Enbridge is [a midstream company](#), and its liquid pipelines account for over 50% of total earnings followed by natural gas distribution, storage, transmission, and midstream operations at 40% and renewable power generation at 4%.

Suncor is also an integrated oil company that focuses on developing petroleum basins in Canada's Athabasca oil sands. It explores, transports, refines, and markets crude oil in Canada and other international markets.

### Recent Q4 results

In Q4 of 2020, Enbridge's adjusted EBITDA stood at \$3.2 billion, up 0.5% year over year. Its DCF (distributable cash flow) per share rose 7% to \$1.09. The company's rate structure and fee-based business model insulated the company against fluctuations in commodity prices.

Suncor's funds from operations stood at \$1.22 billion in Q4, up from \$1.16 billion in Q3 of 2020. However, it was significantly lower than the prior-year figure of \$2.55 billion. Its operating cash flow also fell to \$814 million in Q4 compared to \$2.30 billion in the prior-year period.

We can see while Enbridge's EBITDA and cash flows were not impacted by a significant margin, Suncor had a less-than-impressive period in the last 12 months.

## Suncor has a forward yield of 3%

Enbridge stock is currently trading at \$45.5, which indicates it has a forward yield of 7.4%. ENB has increased its dividend for 26 consecutive years at an annual rate of 10%. The company continues to invest heavily in capital expenditure and pipeline projects, which will allow it to increase cash flows and support further dividend increases in the upcoming decade as well.

Suncor, however, cut its dividend by 55% last year in order to boost liquidity and reduce cash burn. Unlike Enbridge, Suncor is impacted by oil prices significantly, and we can see why it has grossly underperformed in the last year. Further, Suncor's dividend yield is significantly lower at 3%.

## Valuation and more

Enbridge is valued at a market cap of \$92 billion, indicating its trading at a forward price-to-sales multiple of 2.1. Its forward price-to-earnings multiple is 17, which is reasonable, given the company is forecast to increase the bottom line by 9% in 2021 and 14% in 2022.

Comparatively, Suncor is [valued at a market cap](#) of \$44 billion, indicating its trading at a forward price-to-sales multiple of 1.3. Its forward price-to-earnings multiple is 29. Analysts expect Suncor's bottom line to improve from a loss per share of \$1.47 in 2020 to earnings of \$1.66 in 2022.

## Enbridge or Suncor?

Suncor is forecast to grow revenue and earnings at a higher pace than Enbridge in the near term. However, this is only because Suncor had a devastating 2020 while Enbridge managed to weather the storm.

Analysts tracking ENB stock have a 12-month average target price of \$52, indicating its trading at a discount of 13%. After accounting for its tasty dividend yield, annual returns will be closer to 20%.

Analysts tracking Suncor stock have a 12-month average target price of \$32.46, indicating its trading at a discount of 12.6%. After accounting for its dividend yield, annual returns will be closer to 16%.

It's quite clear that Enbridge is the better company to invest in, given it has a better business model and is not impacted by large fluctuations in oil prices. ENB has a healthy balance sheet and is poised to outperform Suncor over the long term.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## 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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