Suncor vs Enbridge: Which Stock Is the Better Buy?

Description

The **S&P/TSX Composite Index** was up 24 points in late morning trading on April 26. Oil and gas prices have held steady after recovering from some turbulence in March. Last week, I'd discussed why investors should be optimistic about this sector going forward. A recovery global economy has the potential to push oil and gas prices up in the spring and summer months.

Today I want to compare two top energy stocks on the **TSX**: **Suncor** (TSX:SU)(NYSE:SU) and **Enbridge** (TSX:ENB)(NYSE:ENB). Which is the better buy? Let's jump in.

Why I'm sticking with Suncor in late April

Shares of Suncor were up 0.47% in late morning trading today. The stock has increased 19% in 2021 so far. Suncor is in a great position to benefit if oil prices can continue to build momentum as the weather heats up. Investors can expect to see its first quarter 2021 results in early May.

In Q4 2020, the company reported improvement across its assets to close out 2020 after some successful maintenance. Funds from operations rose to $1.22 billion or $0.80 per common share – up from $1.16 billion or $0.76 per common share in the previous quarter. Its operating loss fell to $142 million or $0.09 per common share compared to $302 million or $0.20 per common share in Q3 2020.

Suncor's upstream production came in at 769,200 barrels of oil equivalent per day – down marginally from 778,200 boe/d in Q4 2019. The company also made progress with its capital allocation. It aims to pay down between $1.0 billion and $1.5 billion in debt in 2021.

The stock currently pays out a quarterly dividend of $0.21 per share, which represents a 3.3% yield. Suncor is trading in favourable value territory relative to industry peers, but it is still fighting back to achieve profitability in this tough environment.

Enbridge is still the ultimate energy stock

Enbridge is the largest energy infrastructure company in North America. It is one of the largest stocks on the TSX by market cap. Last week, I'd suggested that investors should scoop up Enbridge for the long term. This company is also set to unveil its first batch of 2021 results next month.

The company released its fourth quarter and full year 2020 results on February 12. Full year GAAP earnings fell to $3.0 billion or $1.48 per common share – down from $5.3 billion or $2.64 per common share in 2019. On the other hand, Enbridge progressed $16 billion of secured growth capital which supports distributable cash flow (DCF) per share growth between 5% and 7% through 2023. Moreover, it still boasts a massive project pipeline.

Shares of Enbridge last possessed a price-to-earnings ratio of 31, putting the top energy stock in attractive value territory relative to its industry peers. Enbridge offers a quarterly dividend of $0.835 per share, representing a monster 7.2% yield.

Which stock should you buy today?

Both stocks offer solid value right now, while Enbridge boasts the far superior dividend payout. Still, I'm looking to stash Suncor and bet on rising oil prices in the spring and summer months. The stock could be poised for explosive returns in the second half of 2021.

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