Enbridge (TSX:ENB) vs. Suncor (TSX:SU): Which Stock Should You Buy?

Description

The TSX's energy sector is rolling and on track to cap the year with a record-setting performance. Canada's primary equities benchmark advanced 108.20 points on October 15, 2021, on news that oil prices reached US$82 per barrel. The index registered a new high of 20,928.10, while energy stocks pushed their year-to-date gain to 73.72%.

Enbridge (TSX:ENB)(NYSE:ENB) will likely attract more income investors as the rally continues. However, **Suncor Energy** (TSX:SU)(NYSE:SU) remains a viable option, especially for value investors. If you were to invest in the energy sector in Q4 2021, it would be a toss-up between the energy infrastructure giant and the oil sands king.

Investment thesis

Enbridge is no doubt a rock-solid prospect for those seeking exposure to the red-rot energy sector. The $106.8 billion company has time and again overcome industry headwinds. This year, the stock's performance is fantastic. It advanced 8.32%, 17.57%, and 46.56% in the last three, six, and 12 months. The year-to-date gain is 36.49%, beating the TSX's +20.05%.

The current share price of $52.72 is a good entry point, considering the 6.34% generous dividend you'll get in exchange. A $20,000 investment will produce a $1,268 investment income ($317 every quarter). Al Monaco, Enbridge's president and CEO, summed up the investment thesis for the industry stalwart.

Monaco said, "Over the decades, Enbridge has delivered superior shareholder value. Our low-risk business model has resulted in strong and consistent growth in the dividend, which we are continuing to deliver." The total return in the last 45.82 years is 50,202.65% (14.54% CAGR).

In Q2 2021, revenue dropped 15.36%, but that's no reason to panic. Enbridge has a $17 billion capital spending plan in place, and about $10 billion worth of projects would be in service this year. Management recently completed the acquisition of Moda Midstream Operating.

The addition of a blue-chip platform will advance its export strategy in the U.S. Gulf Coast export and give Enbridge a connection to low-cost and long-lived reserves in the Permian and Eagle Ford basins.

Amazing turnaround

Like Enbridge, Suncor Energy benefits from rising oil prices. However, its incredible comeback in 2021 is why investors' interest in the oil bellwether is back. At $29.11 per share, the trailing one-year price return is 81.37%. Thus far, the gain of current investors is 39.67%.

Market analysts are bullish on Suncor. They maintain a buy rating and see a return potential of 27.83% to $37.21 in the next 12 months. Would-be investors can also partake of the decent 2.89% dividend. The encouraging sign for the energy stock is the significant turnaround happening this year.

In the first half of 2021, Suncor's net earnings reached $1.68 billion. The net loss in the same period last year was $4.13 billion. Notably, funds from operations in Q2 2021 rose to $2.36 billion versus Q2 2020. Its president and CEO Mark Little said business performance should improve further in the coming quarters.

The choice

I will pick Enbridge over Suncor at this stage if you ask me. The pipeline operator is more stable, while the dividends are safe and sustainable. However, I would consider taking a small position in Suncor, because of its impressive turnaround and growth potentials. But I'd wait for next year to see if I need to hoard more shares of the oil sands king.

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