



## Better Buy: Suncor or Cenovus?

### Description

The **S&P/TSX Capped Energy Index** rose 1.88% on Friday, August 5. Today, I want to look at two of the top Canadian energy stocks: **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)). Which is the better buy in early August? Moreover, how does the broader Canadian [energy sector](#) look as we enter the final weeks of the summer of 2022?

## Here's why energy stocks have lost momentum this summer

West Texas Intermediate (WTI) crude dropped below US\$90 a barrel last week. That was the first time WTI crude fell below this price point since Russia launched its invasion of Ukraine back in late February. This sparked a steady rise in oil and gas prices that also bolstered many top Canadian energy stocks.

Oil and gas prices have softened in the summer in response to recession fears and a push from OPEC (Organization of Petroleum Exporting Countries) to increase production. The oil and gas bull market may have calmed, but this does not mean investors should turn away from top energy stocks like Suncor and Cenovus.

## Is Suncor Energy stock still worth buying in August 2022?

Suncor is a Calgary-based integrated energy company. In recent years, the company has boasted that its oil sands business will remain robust for the next century. Indeed, this is one of the most dependable stocks available to Canadians. Its shares have climbed 18% in 2022 as of close on August 5. The stock is up 62% in the year-over-year period.

This company released its second-quarter fiscal 2022 results on August 4. Suncor delivered adjusted funds from operations (AFFO) of \$5.34 billion, or \$3.80 per common share — up from AFFO of \$2.36 billion, or \$1.57 per common share in the previous year. That represented the highest quarterly AFFO in Suncor's history. The oil sands business achieved record AFFO of \$4.23 billion

Shares of this energy stock currently possess a price-to-earnings (P/E) ratio of 9.1. That puts Suncor in favourable value territory at the time of this writing. It offers a quarterly dividend of \$0.47 per share, which represents a very solid 4.8% yield.

## Cenovus: Is this energy stock undervalued?

Cenovus is another Calgary-based company. It develops, produces, and markets crude oil, natural gas liquids, and natural gas in North America and the Asia Pacific region. Shares of this energy stock have increased 30% so far in 2022. The stock has soared 113% year over year.

Investors got to see the company's second-quarter 2022 earnings on July 28. Cash from operating activities surged 118% quarter over quarter to \$2.97 billion. Meanwhile, adjusted funds flow jumped 20% to \$3.09 billion. Moreover, net earnings increased 50% from Q1 2022 to \$2.43 billion in the second quarter of fiscal 2022.

This energy stock last had an attractive P/E ratio of 10. Cenovus currently pays out a quarterly dividend of \$0.105 per share. That represents a modest 1.9% yield.

## Conclusion: Which is the better buy today?

Suncor and Cenovus stocks have both been on fire in the year-over-year period, largely due to soaring oil and gas prices. A looming recession could present a more challenging environment for this sector. In any case, I'm rolling with the more dependable Suncor for its value and far superior dividend in the first half of August.

### CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:SU (Suncor Energy Inc.)

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