Enbridge Inc. vs. TransCanada Corporation: Which Is a Better Dividend Pick?

Description

I love pipelines. No, not the kind you find in skateparks. I'm talking about the steel pipelines that carry crude oil and natural gas around the country.

Pipelines are wonderful investments. Once laid, they cost little to maintain. They just sit there cranking out cash for shareholders. And because it rarely makes economic sense to have two competing routes, pipelines are almost *de facto* monopolies.

For dividend investors looking for consistent income, **Enbridge Inc.** (TSX: ENB)(NYSE: ENB) and **TransCanada Corporation** (TSX: TRP)(NYSE: TRP) are popular bets. And while I have recommended both in the past, not everyone has enough funds to buy both. Let's take a look at these two stocks to see if one is a better deal for income investors.

Enbridge Inc.

Lots of companies pay dividends, but few are as predictable as Enbridge. Since 1953, this company has managed to pay a distribution to shareholders every single year. That's one of the longest consecutive payouts of any publicly traded stock in Canada.

And that dividend is growing. As my colleague Matt Smith pointed out earlier this week, Enbridge has hiked its payout for 18 consecutive years. That includes the most recent bump in December, when the company raised its quarterly dividend by 11%.

Can Enbridge keep the dividend hikes coming? Yes, given that the company has $45 billion in secured expansion projects on the books – nearly 100% of its current market capitalization. What's more, with the recent market mayhem weighing on the shares, the stock is off significantly from its all-time highs. Now may be a good entry point.

TransCanada Corporation

The TransCanada story has a few more blemishes. Back in 1999, a failed diversification strategy prompted the company to chop its dividend by nearly a third. The firm's proposed Keystone XL pipeline, which would deliver more than 800,000 barrels a day of bitumen from Alberta to the U.S. Gulf Coast, remains in regulatory limbo.

That said, TransCanada has been doing everything it can to get back into the good books of dividend investors. For more than a decade, the pipeline company has raised its dividend every January, and in each of the past eight years the increase was exactly $0.02 per quarter. Those hikes may seem small in isolation, but they can add up over the long haul.

While most investors focus on Keystone, TransCanada is finding other ways to grow earnings and dividends. Earlier this week, the company formally applied to the National Energy Board for approval of its new Energy East pipeline. Other expansion avenues include Bruce Power restarts, investments in the Alberta System gas pipeline, and potential bolt-on acquisitions.

All of which means TransCanada will be delivering dividend hikes for many years to come.

Which dividend stock belongs in your portfolio?

Choosing between these two companies isn't easy. But if forced to choose, I would lean towards Enbridge. The company is growing earnings (and dividends) at a much faster clip. While the stock may yield less today, over the long haul that growth should deliver much better returns.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/13
Date Created
2014/10/31
Author
rbaillieul