Exxon Mobil Corporation vs. Enbridge Inc: Which Stock Is a Better Buy for Dividend Investors?

Description

Enbridge Inc (TSX:ENB)(NYSE:ENB) and **Exxon Mobil Corporation** (TSX:XOM) have a lot in common.

Both companies are top operators in the oil patch. Both have long track records of paying dividends. And unless people start fueling their cars with pixie dust, both will likely be rewarding shareholders for decades to come.

That's why it can be tough to choose between these two stocks. So today, we're tackling a pressing question: Which energy business is a better bet for income investors? Let's see how the two companies stack up on a range of measures.

Dividend history: Exxon has paid a dividend to shareholders every year since 1882. For perspective, that was three years before the first commercial automobile. Enbridge has a long track record of paying dividends, too. However, the company has only been sending out cheques to investors since 1953. *Winner: Exxon.*

Dividend growth: Exxon has hiked its dividend at a 9.8% annual clip over the past decade. That's great, but it's not as good as Enbridge. The pipeline company has raised its dividend by about 13.4% per year over the same period. Enbridge may also have more capacity for future dividend growth, given that the company is expanding much faster. *Winner: Enbridge*

Dividend yield: This one was close. But if you're looking for current income, Enbridge is your best bet. The company yields 3.3%, which is slightly better than Exxon's 3.0% payout. *Winner: Enbridge.*

Currency: For Canadian investors, owning a U.S. stock introduces currency risk. Exchange rate volatility can help or hurt you. However, if you stick to Canadian stocks, you don't have to worry about this extra uncertainty. *Winner: Enbridge*.

Earnings growth: North America is in the midst of an energy revolution.
To accommodate surging production, Enbridge has billions of dollars in new expansion projects on the

books. That should allow the company to grow earnings at a double-digit clip over the next decade. In contrast, Exxon has struggled to grow oil production. That means future growth will likely be muted at best. *Winner: Enbridge*.

Safety: I often compare Enbridge's pipeline business to bonds. That's because the company receives a fee on every barrel of oil that flows through its network. No matter which direction energy prices go, Enbridge still gets paid. In contrast, Exxon is in the risky business of extracting and refining oil. That exposes the company to wild swings in commodity prices. *Winner: Enbridge.*

Valuation: Exxon is one of those big, profitable but boring companies that generate little excitement. As a results, shares of the oil giant trade at a reasonable 16 times forward earnings. Enbridge trades at a much higher 21 forward earnings multiple. That rich valuation makes shares vulnerable to a selloff if results don't meet expectations. *Winner: Exxon.*

And the results are in…

As I said, Enbridge and Exxon are both excellent energy companies. Both pay reliable dividends. Both are likely to reward shareholders for decades to come. That said, Enbridge's bigger yield, relative safety, and long growth runway gives it the edge in my books.

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