Which Stock Is a Better Bet for Dividend Investors: Enbridge Inc. vs. Suncor Energy Inc.

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) have a lot in common.

Both companies are top operators in the oil patch. Both have long track records of paying dividends. And unless Canadians start heating their homes with firewood in mass, shareholders will be cashing those distribution cheques for many decades to come.

No wonder both of these stocks are staples in investor portfolios. However, not all of us have enough funds to buy both. How can we pick between these two top-tier stocks?

That's why today we're tackling this question: Which business is a better bet for dividend investors? Let's see how the two companies stack up on a range of measures.

1. Yield: This one was close. Both Enbridge and Suncor yield approximately 2.8%. That's why if you're looking for current income, just flip a coin. Both of these stocks are equally attractive. *Winner: Draw*

2. Dividend growth: So, if we're going to determine which stock has a better distribution, we're going to have to dig a lot deeper than just the current payout. Dividend growth is also important because we want to ensure our income can keep up with the rising cost of living. That said, Enbridge and Suncor have both increased the size of their distributions by 17% and 25% per year respectively in the past decade. *Winner: Suncor*

3. Earnings growth: Future dividend hikes generally come from growing profits. However, low oil prices mean Suncor's earnings growth will be muted for the foreseeable future. Enbridge, in contrast, has billions of dollars in new infrastructure projects on the books. North America is in the midst of an energy revolution. Thanks to surging oil and gas production, the company is projected to deliver double-digit earnings growth in the next five years. *Winner: Enbridge*

4. Dividend history: Reliability is important, too. That's because we don't want to see our income suddenly dry up without warning. That said, Enbridge has paid a dividend to shareholders every year

since 1953. Through wars, recessions, and financial crises, investors have always been able to count on a cheque from the company to arrive in their mailboxes. Suncor has a long track record of paying dividends, too. However, the oil giant has only been sending out cheques to investors since 1992.
Winner: Enbridge

5. Safety: On a number of occasions, I have compared Enbridge's business to a bond. The company owns infrastructure assets—like pipelines, terminals, and storage facilities—across the continent and receives a fee on every barrel of oil that flows through its network. That means Enbridge gets paid no matter which direction energy prices go. Suncor, in contrast, is involved in the risky business of extracting and refining oil. That exposes the company to wild swings in commodity prices.
Winner: Enbridge

6. Valuation: Because of the doldrums in the energy business, Suncor shares now trade at a reasonable 20 times forward earnings. That's below the stock's historical average, though in line with peers. Enbridge, however, trades at a much higher 26 forward earnings multiple. That rich valuation could leave the stock vulnerable to a sell-off if results disappoint. *Winner: Suncor*

And the results are in…

As I said, I like Enbridge and Suncor. Both are wonderful businesses, both pay reliable dividends, and both are likely to reward shareholders for decades to come.

That said, Enbridge's longer track record, relative safety, and long-growth runway gives it the edge in my books. If you only have room for one energy stock in your portfolio, this is the one to own.

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