# Dividend Investors: Is Enbridge Inc. or TransCanada Corporation a Better Investment?

## Description

**Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) are both pipeline leaders. They're engaged with storing and transporting energy and gas via pipelines. They receive cash flows from the transportation of oil and gas irrespective of the oil price.



Because dividends are more predictable than stock prices, I'm going to compare the current yields, projected dividend growth, and anticipated yield on cost. Assuming the same amount invested in each today, which one is the better investment for income?

### Income generation

At under $52 per share, Enbridge yields close to 3.6%. On the other hand, TransCanada yields close to 4.9% at under $43 per share. An investment of $5,000 in Enbridge would bring in an annual income of almost $180, while the same amount invested in TransCanada would bring in close to $245. TransCanada generates 36% more income than Enbridge. So, looking at yield alone, TransCanada is the winner.

### Dividend growth and estimated yield on cost

Enbridge has paid dividends for over 60 years, and in the last 10 years, it has hiked the dividend at an annualized rate of 11-14%. The company forecasts its dividends to grow at an annualized rate of 14-16% from 2014 to 2018. This growth is well supported by the available cash flow from operations that's anticipated to grow at an annualized rate of 18% during that period. However, a big portion of that dividend growth already occurred in 2015, when Enbridge's dividend increased by 32.9%.

As a result, it’s more accurate to forecast Enbridge to increase dividends by 8.2-10.8% from 2016 to 2018. So, its annual payout is estimated to be $2.36 per share to $2.53 per share by 2018. Assuming investors buy Enbridge shares at $52 or lower, that would indicate a yield on cost of at least 4.5-4.9% by 2018. Just to be consistent with TransCanada’s forecasts that go up till 2017, investing in Enbridge shares at $52 or lower would indicate a yield on cost of 4.2-4.4%.

TransCanada also has a history of increasing dividends. For 14 years, it has increased its dividend at an annualized rate of 7%. Growth is expected from its $46 billion of commercially secured projects that are projected to be in service through to 2020. TransCanada forecasts dividend growth to be at a rate of 8-10% annually through to 2017. Assuming investors buy TransCanada shares at $43 or lower, that would indicate a yield on cost of at least 5.7-5.9% by 2017.

If the company forecasts come true, investors of the companies today would receive 29.5-40.4% more income in 2017 alone from TransCanada. Specifically, in 2017 a $5,000 investment in TransCanada would generate $285-295 of annual income, and the same invested amount in Enbridge would generate $210-220 of annual income.

**In conclusion**

Cash is king. Investors can use it to pay bills or to invest in more shares for more income. If you’re looking for dividend income, TransCanada is a better investment than Enbridge. Based on the company forecasts, TransCanada will generate 30-40% more income than Enbridge for shareholders in 2017. Right now TransCanada generates 36% more income than Enbridge because it has a higher yield.



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1. Dividend Stocks
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**TICKERS GLOBAL**

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

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