



Which Pipeline Leader Should You Buy for Income?

Description

Three pipeline leaders, **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)), and **Kinder Morgan Inc.** ([NYSE:KMI](#)) have fallen meaningfully from their 52-week highs as the oil price remains low.

- Enbridge has fallen 13.6% from \$66 to \$57. It yields 3.3% today.
- TransCanada has fallen 23.7% from \$59 to \$45. It yields 4.6% today.
- Kinder Morgan has fallen 34% from \$44 to \$29. It yields 7% today.

Which energy infrastructure leader should you buy for income today?

Which has the highest yield?

Kinder Morgan looks like a winner with its 7% yield. If you don't want to exchange your Canadian dollars for expensive U.S. dollars, then you might want to settle with TransCanada for the second-highest yield of 4.6%. Most importantly, let's decide which dividend stock has the safest dividend.

Which energy infrastructure leader has the safest dividend?

Kinder Morgan's trailing 12-month (TTM) operating cash flow is US\$4,802 million, showing growth from 2013 and 2014. Assuming it continues to pay a quarterly dividend of US51 cents per quarter, it will pay out US\$3,484.3 million in dividends in the next 12 months. Its cash flow covers its dividend with a 72.6% ratio.

TransCanada's TTM operating cash flow is \$3,860 million. Assuming it continues to pay a quarterly dividend of 52 cents per quarter, it will pay out \$369.7 million in dividends in the next 12 months. So, its cash flow covers its dividend with a 9.6% ratio. With a lower ratio than Kinder Morgan, TransCanada's dividend is much safer.

Enbridge's TTM operating cash flow is \$4,262 million. Assuming it continues to pay a quarterly dividend of 46.5 cents per quarter, it will pay out \$1,584.7 million in dividends in the next year. So, its cash flow covers its dividend with a 37.2% ratio. With a lower ratio than Kinder Morgan, Enbridge's

dividend is safer.

Company dividend-growth forecasts

- Kinder Morgan forecasts to grow dividends by 6-10% in 2016.
- TransCanada forecasts to grow dividends by 8-10% through to 2017.
- Enbridge forecasts to grow dividends by 14-16% through to 2019.

In conclusion

If you're looking for the highest yield in the energy infrastructure space, Kinder Morgan offers a 7% yield at about US\$29. To avoid paying marginal tax on the foreign income, buy it and hold it in an RRSP.

If you're looking for the safest dividend, buy TransCanada for its 4.6% yield. TransCanada is also the most financially solid of the three. It has an S&P credit rating of A-, the highest of the group.

If you're looking for the fastest dividend growth and price appreciation that's likely to come with it, Enbridge may be your pick. It offers the highest dividend-growth forecast for the next few years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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