



## Should You Buy Toronto-Dominion Bank or Enbridge Inc.?

### Description

Investors are constantly on the lookout for top picks in the Canadian market.

Let's take a look at **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see if one is a better bet right now.

#### TD

TD earned \$2.2 billion in fiscal Q1 2016. That's a ton of profits for just three months of operations, and it shows exactly how effective management is at squeezing every possible dollar of revenue out of its various business units at a time when the banks are supposed to be facing economic headwinds.

TD's Canadian retail division is the backbone of the business, but the U.S. operations are also providing a nice boost thanks to the strong U.S. dollar. Net income from the group jumped 20% in the first quarter compared with the same period last year.

Concerns about energy exposure and a possible housing crash have kept some investors away from the banks. TD's loans to oil and gas companies represent less than 1% of the total loan book, and the mortgage portfolio is capable of withstanding a significant pullback in the housing market.

TD recently raised its dividend by 8% to \$0.55 per share. The distribution offers a yield of 4%.

The stock has rallied in recent weeks and now trades close to its 12-month high.

A \$10,000 investment in TD 20 years ago would be worth \$163,000 today with the dividends reinvested.

#### Enbridge

Enbridge is a pipeline infrastructure giant with assets located across Canada and throughout the United States.

The stock took a hit last year as investors bailed out of anything connected to the energy space, but

the sell-off in Enbridge was probably overdone.

Why?

Enbridge is not a producer; it simply transports oil and gas from the production site to the end users and charges a fee for providing the service. In fact, less than 5% of the company's revenue is directly impacted by changes in oil and gas prices.

With energy companies cutting back on development plans, there is a concern that Enbridge's long-term growth will stall. We will have to see how things pan out, but the order book looks good for the next few years. Enbridge has \$18 billion in secured capital projects under development that will be completed and in service by 2019.

As the new assets go into service Enbridge will see revenue and cash flow increase, and management plans to increase the dividend by 10-12% per year through 2019.

The current quarterly distribution of \$0.53 per share yields 4.3%.

Enbridge has also staged a comeback in recent weeks, but the stock is still trading significantly lower than its 52-week high.

A \$10,000 investment in Enbridge 20 years ago would be worth \$218,000 today with the dividends reinvested.

### **Which should you buy?**

Both stocks have great track records of dividend growth and share-price appreciation. TD is probably the safer bet at the moment, but Enbridge has outperformed over the past two decades and might have more upside potential in the medium term. I would pick Enbridge right now.

### **CATEGORY**

1. Bank Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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aswalker

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