Dividend Investors: Should You Buy Enbridge Inc. or Fortis Inc.?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) and **Fortis Inc.** (TSX:FTS) are both popular among dividend investors.

Let's take a look at the two energy infrastructure companies to see if one deserves to be in your portfolio.

Enbridge

Enbridge is slowly grinding higher after the big sell-off in the back half of 2015.

Investors bailed out of the stock last year amid fears the oil rout would put the brakes on demand for new pipelines. That concern is certainly valid in the near term, but Enbridge has a strong enough project backlog to carry it through the rough times and has the financial firepower to grow through acquisitions if the rout lingers.

The company expects to complete $18 billion in new projects over the next three years. As the new assets go into service, revenue and cash flow should grow enough to support annual increases in the dividend of at least 8%.

Enbridge has paid a dividend for more than 60 years and has increased the payout every year for the last two decades. The current quarterly distribution of $0.53 per share yields 3.9%.

Fortis

Fortis is an electricity generation and natural gas distribution company with assets located in Canada, the United States, and the Caribbean.

The U.S. operations have expanded significantly in recent years, and that trend is set to continue.

Two years ago Fortis paid US$4.5 billion for Arizona-based UNS Energy. The integration of the new business went well, and the additional revenue generated by UNS helped push 2015 net earnings to a record $2.11 per share.

Fortis is currently in the process of buying **ITC Holdings Corp.**, a transmission utility, for US$11.3 billion. The stock initially pulled back on the announcement, but investors are warming up to the deal and Fortis now trades near its 12-month high.

Fortis is a popular stock with dividend investors because it gets the majority of its revenue from regulated assets. That means cash flow should be both predictable and reliable.

Management has raised the dividend every year for more than four decades, and investors should see annual growth of at least 6% through 2020. Fortis currently pays a quarterly distribution of $0.375 per share for a yield of 3.6%.

Which should you buy?

Both stocks are great long-term holdings and deserve to be in any dividend portfolio.

If you only have the cash to buy one, I would give the nod to Enbridge today. The dividend yield is slightly higher, the increases should be more robust in the next few years, and Enbridge probably offers better upside potential in the medium term.

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3. TSX:FTS (Fortis Inc.)

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aswalker