



Income Investors: Should You Buy Enbridge Inc. or TransCanada Corporation Today?

Description

Income investors are constantly searching for top dividend-growth stocks to add to their portfolios.

Let's take a look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) to see if one is more attractive right now.

Enbridge

Enbridge is primarily known as a liquids pipeline company with additional interests in natural gas distribution and renewable energy.

The firm has struggled to make headway on its massive Northern Gateway pipeline proposal, and the rout in the energy sector has dampened demand for new infrastructure.

As a result, Enbridge has decided to drive growth through a big acquisition.

What's up?

Enbridge just signed a deal to acquire **Spectra Energy** for \$37 billion. The purchase will create and energy infrastructure monster with an enterprise value of \$165 billion.

Enbridge already has \$16 billion in near-term projects to keep it busy, but Spectra brings an additional \$10 billion to the portfolio. As these assets are completed and put into service, Enbridge expects cash flow to increase enough to support a 15% dividend hike in 2017 and distribution growth of at least 10% per year through 2024.

The long-term development program holds another \$48 billion in projects.

Enbridge pays a quarterly dividend of \$0.53 per share. The payout has had a compound annual growth rate (CAGR) of 10.6% over the past 20 years.

The current yield is 3.6%.

TransCanada

TransCanada has its own mega-project woes. President Obama rejected the company's Keystone XL pipeline last year and the Energy East project in Canada continues to battle some political headwinds.

Like Enbridge, TransCanada has decided to boost growth through a large acquisition. The company recently bought Columbia Pipeline for \$13 billion in a deal that added strategic assets in the Marcellus and Utica shale plays, as well as 5,400 km of new natural gas pipelines running from Appalachia to the Gulf Coast.

The purchase also increased TransCanada's commercially secured short-term development program to \$25 billion. The company expects cash flow to increase at a healthy clip as the new assets are completed, and management is forecasting annual dividend growth of at least 8% through 2020.

The company's dividend CAGR since 2000 has been about 7%.

TransCanada currently pays a quarterly distribution of \$0.565 per share. That's good for a yield of 3.7%.

Is one a better bet?

At the moment, I would probably make Enbridge the first pick. The company's distribution should increase more in the medium term, and the dividend-growth guidance is quite clear for the next eight years.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/09/12

Date Created

2016/10/27

Author

aswalker

default watermark

default watermark