Are These 2 Canadian Dividend-Growth Stars Oversold?

Description

Dividend investors are always searching for top-quality companies to add to their portfolios.

Once in a while, you get a chance to pick up these stocks at attractive prices.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to see if they should be in your portfolio today.

Enbridge

Enbridge has been under pressure for the past six months and currently trades close to its low for the year. Falling oil prices are the primary reason, as investors have unloaded any stock connected to the broader energy sector.

Enbridge doesn't produce oil; it simply moves the product from the point of production to the end user and charges a fee for providing the service. This means it has much less direct exposure to the commodity price.

The company also has gas utility assets and renewable energy investments that diversify the revenue stream.

Enbridge recently closed its $37 billion purchase of Spectra Energy in a deal that added strategic gas infrastructure and bumped up the commercially secured capital plan to $27 billion.

As the new assets are completed and go into service, Enbridge expects cash flow to increase enough to support dividend growth of at least 10% per year through 2024.

The current payout offers a yield of 4.7%.

Suncor

Suncor is primarily known for its oil sands operations, but the company also owns four refineries and more than 1,500 Petro-Canada retail locations.

The diversified nature of the revenue stream has helped Suncor ride out the downturn in decent shape, and management has taken advantage of the strong balance sheet to pick up strategic assets at attractive prices.

Suncor has also worked hard to reduce operating costs, which means the company is making money at lower oil prices. Oil sands cash operating costs for Q1 2017 came in at $22.55 per barrel — down 20% in the past two years.

Suncor's stock price has also pulled back in the past six months, falling about 13%. The dip provides investors with a chance to pick up the name at a reasonable price and collect a solid 3.4% dividend while they wait for better days.

Suncor isn't widely viewed as a top dividend stock, but the company has a strong track record of dividend growth. In fact, the distribution has more than tripled since early 2011.

Is one more attractive?

Enbridge currently provides a better yield and probably offers stronger dividend-growth prospects over the medium term.

As such, I would probably make the pipeline company the first choice today.

Owning Suncor requires a belief that oil prices will recover and remain at higher levels for decades. If you are in that camp, it might be worth a shot on further downside.

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