



Enbridge Inc. vs. Hydro One Ltd.: Which Is Better?

Description

If you want stability in your income portfolio, you need to find companies with stable businesses.

Power and gas utilities, pipeline operators, and telecom service providers are among those companies that don't face cutthroat competition every day. Their returns are mostly regulated as they provide essential services.

These utilities make sure they provide uninterrupted services. In return, customers make sure they pay their bills on time. The outcome is that utilities crank out massive cash every month, and they distribute most of it to their shareholders.

In Canada, **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Hydro One Ltd.** ([TSX:H](#)) compete in this space for investors' money. Let's try to find out which one is a better candidate for your income portfolio.

Enbridge

Enbridge is a great example of a stable revenue generator. It operates the world's longest crude oil and liquids transportation system. Enbridge also runs Canada's largest natural gas distribution network.

With a dividend yield of 4.72%, Enbridge is targeting a 10-12% annual growth in dividends through 2024, according to management's forecast. Its ability to generate more cash will be improved further as the company undertakes \$48 billion of new projects after last year's acquisition of Spectra Energy Corp. for a \$28 billion.

Enbridge's dividend payout may not look too exciting, but these small dividends, if compounded over time, can produce supersized returns.

Over the past two decades, the pipeline company has increased the size of its dividend more than seven-fold. And If you had bought and held the stock in that time and reinvested all of your dividends, you can imagine the level of return this investment would have generated.

Hydro One

Hydro One is an electricity, transmission, and distribution company that serves Canada's most populated province: Ontario.

Hydro One's revenues are regulated and provide a great stability to its cash flows and dividends. With a 4% dividend yield, Hydro One provides a good opportunity to income investors for long-term growth.

Like Enbridge, Hydro One is seeking to expand south of the border. The company has recently announced a \$6.7 billion acquisition of northwestern U.S. energy company Avista Corp., which, according to the management, is a "high-quality, strategic transaction" which will enable it to further enhance customer and shareholder value.

Which one is better?

I think both utilities provide a good value for your dollars if you plan to invest in them over a long period of time. Both companies are in a growth trajectory after their recent acquisitions, and that will be a key value driver for income investors.

Both stocks are under pressure these days as the Bank of Canada has started raising interest rates — a move which generally diminishes the value of utilities when compared to the safe-haven government securities.

I think their long-term value is still intact, and the ~10% decline in their shares since late April makes them more attractive for income investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. TSX:ENB (Enbridge Inc.)
3. TSX:H (Hydro One Limited)

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Date

2025/09/09

Date Created

2017/08/11

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