



TFSA Investors: 2 Dividend-Growth Stocks in the Bargain Bin

Description

Canadian investors are searching for top dividend stocks that also offer some nice potential upside gains in the stock price.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see why they might be interesting picks.

IPL

IPL owns natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a European liquids storage business.

The company has survived the oil rout in pretty good shape, and management has taken advantage of the downturn to add strategic assets at attractive prices.

The largest deal was the \$1.35 billion purchase of two NGL extraction facilities and related infrastructure from **The Williams Companies**. When the market improves, investors should see strong returns from the investments.

IPL continues to raise its dividend, despite tough times in the oil sector. The Q2 2017 payout ratio was 72.9%, so the distribution should be safe.

The stock is down amid the broader sell-off in the energy space, and investors can now pick up a dividend yield of 7%.

Enbridge

Enbridge completed its \$37 billion takeover of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure company.

Spectra added strategic gas infrastructure to complement Enbridge's heavy focus on liquids pipelines and also provided a nice boost to the capital plan.

In the Q2 2017 report, Enbridge says it has \$31 billion in commercially secured projects on the go that should generate sufficient cash flow growth to support annual dividend increases of at least 10% through 2024.

The great thing about Enbridge is the fact that its assets pretty much operate as tollbooths for decades once they are completed.

The company has a strong track record of dividend growth, so investors should feel comfortable with the guidance.

At the time of writing, the stock provides a yield of 4.9%.

Is one more attractive?

Both stocks offer above-average payouts that should be safe.

IPL carries more risk due to its smaller size and heavy focus on western Canada, but it also offers a higher yield and probably provides better upside torque on an oil recovery.

If you prefer to simply own the industry giant, Enbridge is a more stable pick and still offers a great yield with a solid dividend-growth outlook over the medium term.

The best option might be to split a new investment between the two names.

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