



## Better Buy: Altagas Ltd. vs. Enbridge Inc.

### Description

**Altagas Ltd.** ([TSX:ALA](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) are both in the energy sector — more specifically, in the oil and gas industry. The share prices of these two companies have been on a downward slope for a long time due to the depressed prices of crude oil and natural gas.

This is a good time to enter the oil and gas sector, as a rise in the crude oil and natural gas prices is forecasted. The share prices of Altagas and Enbridge should thus experience a rebound very soon. But is there a better buy between these two energy stocks? Let's find out.

#### Altagas Ltd.

Altagas is a diversified natural gas and energy infrastructure company with a market cap of \$4.89 billion.

Altagas's share price has been hurt badly by the low natural gas prices, showing a compound return of -12.3% for the last three years. The share price is down by 11.7% since the beginning of the year and is now trading very near its 52-week low of \$26.87.

The dividend yield is very high at 7.4%, but it's because the share price has fallen a lot.

Altagas has not raised its monthly dividend for over a year. The last rise was in July 2016, when the dividend was raised by 6% from \$0.165 to \$0.175 a share.

If a company dividend-payout ratio is too high, its dividend may not be sustainable. The dividend-payout ratio of Altagas is 322%, which seems too high.

Nevertheless, Altagas reported a strong second quarter, and its performance should continue to improve in the next quarters.

Indeed, the energy company announced in July that normalized EBITDA in the second quarter of 2017 was up 8% million to \$166 million compared to the same quarter in 2016. Normalized funds from operations were up 8% to \$123 million (\$0.72 per share) compared to \$114 million (\$0.75 per share) in

the same period of 2016.

Due to the strong performance of its projects under construction and several new opportunities it sees this year, the company will decide on the increase of the dividend in the fourth quarter.

A growth rate of 3.2% is expected for next year and of -0.5% for the next five years. The share price has a P/E of 43.6, slightly higher than the industry's average P/E of 41.7.

### **Enbridge Inc.**

Enbridge operates the world's longest crude oil and liquids transportation system. The company gathers, transports, processes, and stores natural gas, and it has an increasing involvement in power transmission.

Enbridge is Canada's largest natural gas-distribution provider with a market cap of \$83.38 billion. Its share price has been hurt by low oil and gas prices during the last few years, but it's not so bad compared to other energy stocks. It returned 0.70% over the past three years and is down by 7.2% since the beginning of the year. The share price is now trading very near its 52-week low of \$48.98.

Enbridge pays a quarterly dividend that is increasing every year. The last rise was at the beginning of this year, when the dividend was raised by 4.6% from \$0.583 to \$0.61 a share. The share price currently yields 4.6%. The payout ratio is 166%, which is high, but much less than Altagas's payout ratio.

For its second quarter, North America's largest pipeline operator reported a profit that more than tripled, helped partly by its purchase of natural gas pipeline company Spectra Energy Corp.

Earnings attributable to shareholders rose to \$919 million, or \$0.56 per share, in the second quarter ended June 30 from \$301 million, or \$0.33 per share, a year earlier.

Enbridge has a long-term dividend-growth outlook of 10-12% through 2024. A growth rate of 26.7% is expected for next year and 7.25% for the next five years. The share price has a P/E of 37.3, lower than the industry's average 41.7 P/E.

### **Bottom line**

I think Enbridge is a less-risky investment than Altagas for its more diversified business and higher growth outlook, so I would buy Enbridge over Altagas.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:ENB (Enbridge Inc.)

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