

2 Underappreciated Canadian Dividend Stocks That Could Beat the Market in 2019

Description

Investors are finally getting a chance to pick up some top-quality Canadian dividend-growth names at reasonable prices.

Let's take a look at two companies that deserve to be on your [dividend](#) radar today.

Inter Pipeline Ltd. (TSX:IPL)

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

The company took advantage of the downturn to add strategic assets at attractive prices, including the \$1.35 billion purchase of two NGL extraction facilities and related infrastructure from The Williams Companies. The deal was done at a significant discount to the cost of building the plants, so IPL could see a strong return on the investment as the market improves.

In addition, the company is moving ahead with its \$3.5 billion Heartland Petrochemical Complex. The facilities should be up and running by the end of 2021, and IPL anticipates additional EBITDA of \$450-500 million per year once Heartland begins operations.

The stock is down from \$28 a year ago to \$23 per share today due to a broad sell-off in the oil and gas infrastructure sector.

The company raised the dividend last fall, and the 2017 payout ratio was just 62%, so the distribution should be safe. At the time of writing, investors can pick up a 7.3% [yield](#).

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#))

Enbridge bought Spectra Energy last year in a \$37 billion deal that created North America's largest energy infrastructure company. The acquisition also provided a nice boost to the capital plan, and Enbridge is currently working through \$22 billion in near-term development projects.

As the new assets are completed and go into service, Enbridge has said it expects revenue and cash flow to increase enough to support annual dividend hikes of at least 10% through 2020.

The company raised the payout by 10% for 2018 and has a strong track record of dividend growth, so investors should feel comfortable with the outlook.

Rising interest rates have some investors concerned that dividend stocks could suffer a flight of cash to fixed-income alternatives. Time will tell, but the drop in Enbridge's stock price from \$55 to \$41 might be a bit overdone.

Why?

Enbridge has pulled back to the point where the current payout provides a yield of 6.5%. The payout should be very safe, and it will be a long time before a GIC offers anything close to that type of return.

The bottom line

Contrarian investors might want to take a hard look at these two stocks. The payouts look sustainable and offer above-average yields. When market sentiment shifts, IPL and Enbridge could see some impressive moves to the upside.

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