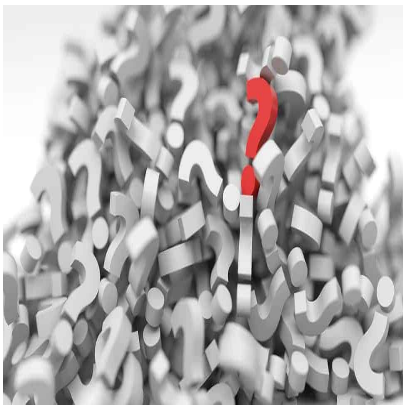

Enbridge Inc. or Inter Pipeline Ltd.: Which 7% Dividend Stock Should You Buy Now?

Description

If you screen large-cap Canadian stocks for high yields today, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Inter Pipeline Ltd.** (TSX:IPL) will likely top the list with their delectable 6.8% and 7.6% yields, respectively.

Both energy stocks have tumbled more than 20% each in the past one year, pushing up their yields. Of course, that's not the only factor, as Enbridge and Inter Pipeline also boast a solid record of consistent dividend increases, which is why their yields aren't really risky. On the contrary, the drop in the stocks should make income investors look for opportunities.

The question is, which among the two stocks is a better buy today? When you stack Enbridge and Inter Pipeline against key dividend parameters, you have a clear winner.

Dividend history

Enbridge and Inter Pipeline are both energy infrastructure companies that transport, process, and store energy products such as crude oil, liquids, and natural gas. Enbridge, however, is the giant with a market cap $66.7 billion, more than eight times that of Inter Pipeline.

Enbridge has been around for longer than Inter Pipeline and has come to enjoy the economies of scale and size over the decades. Not surprisingly, Enbridge has a longer dividend track record — it has raised its dividends every year for 23 consecutive years now.

Inter Pipeline has increased its dividends every year for 15 straight years.

Winner: Enbridge

Dividend frequency

For some income investors, especially retirees, the frequency with which dividends are paid couldmake a huge difference to their flow of income.

Enbridge, like most stocks, pays dividends quarterly. Inter Pipeline cuts you a dividend cheque every month, which is praise-worthy.

Winner: Inter Pipeline

Dividend growth

While steady dividends are an important investment decision criterion, what matters most is whether the dividends are also growing.

Enbridge rewarded shareholders with a 15% hike in dividends in 2017, while Inter Pipeline offered a tiny 3.7% increase for the full year.

If you go back some years, Enbridge has grown its dividend at a compounded average annual rate of 11.7% over the past 20 years. That's an incredible record given the cyclical nature of the energy sector.

Inter Pipeline hasn't done too badly either, having grown its dividends at a compounded average clip of 7.2% in the past decade. A higher growth rate over a longer span, however, scores Enbridge a brownie point.

Winner: Enbridge

Future dividend-growth potential

As great as a company's dividend history might be, it's not necessary that it will continue to maintain the trend. Therefore, a stock's dividend-growth potential should be your highest-weighted factor when picking dividend stocks.

Inter Pipeline's full-year payable dividend quantum for 2018 amounts to $1.68 per share, representing a 3% growth versus 2017.

Comparatively, Enbridge has already committed to a 10% compounded growth in dividends between 2018 and 2020.

Winner: Enbridge

Foolish takeaway

By all means, it looks like Enbridge will continue to reward shareholders with double-digit dividend hikes in coming years and beat Inter Pipeline in the game. Enbridge's dividends also look sustainable, as 96% of its earnings originate from predictable fee-based contracts, resulting in stable cash flows.

With the stock shedding nearly 30% value in one year, income investors could easily consider adding Enbridge to their portfolio to enjoy its hefty yield.

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