



## Which Pipeline Stock Is the Better Investment?

### Description

[Pipeline stocks](#) have become more attractive investments for income after their recent pullbacks. Is **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) or **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)) the better investment?

### Enbridge

Enbridge is the largest energy infrastructure company in North America, but the stock has been on a slide, falling ~30% in the last 12 months.

First, the stock has been weighed down by the uncertainties around its Line 3 replacement program, which is a big part of its capital program and consists of \$5.3 billion of investments in Canada and US\$2.9 billion of investments in the U.S.

Second, Enbridge's relatively high debt levels also weigh on the stock. Interest rate hikes will only add to that burden. That said, the company aims to sell some non-core assets after the humongous acquisition of Spectra Energy Corp. last year, which was a part of the reason for its high debt levels. The asset sales should allow the company to pay down its debt faster.

Enbridge transports ~28% of the crude oil and ~20% of the natural gas in North America. Now that the stock trades at a five-year low, it offers a ~6.8% yield and is a compelling buying opportunity.

Enbridge's payout ratio is about 63% of its free cash flow per share. So, its big yield should be sustainable.

The analyst consensus from **Thomson Reuters Corp.** has a 12-month target of \$52.20 on the stock, which implies ~32% near-term upside potential based on the recent quotation of ~\$39.50 per share.



## Pembina

If you want to sidestep most of the issues of Enbridge, consider smaller Pembina, which is more conservatively run. Pembina stock has been holding up relatively well in the last year and has appreciated ~25% in the last five years. **Bank of Nova Scotia** estimates that its net debt to EBITDA will be 3.8 times this year (versus Enbridge's 4.9 times).

Pembina offers a ~5.3% yield; its payout ratio is about 56% of its free cash flow per share. So, its juicy yield should be intact.

The analyst consensus from Reuters has a 12-month target of \$51.80 on the stock, which implies ~26% near-term upside potential based on the recent quotation of ~\$41 per share.

## Investor takeaway

Between Enbridge and Pembina, Pembina stock will probably be a more stable investment. Even though analysts estimate that an investment in Enbridge today will deliver higher returns in the next 12 months, certain investors will vote Pembina as the better investment because of its stability.

At the end of the day, investors need to decide if they can take on the increased uncertainty from Enbridge for potentially higher returns and a higher yield or if they prefer a more [stable name](#) such as Pembina.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)

4. TSX:PPL (Pembina Pipeline Corporation)

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