Fortis Inc. (TSX:FTS) vs. Enbridge Inc. (TSX:ENB): Which Stock Is a Better Buy?

Description

For long-term investors, energy infrastructure stocks provide one of the most stable sources of income. These companies provide us power and gas, moving bulk energy products from refineries to customers.

Their place in the economy is so crucial that we can't imagine the modern-day life without their services. That's the reason I always recommend that my readers have a couple of quality utility and energy infrastructure stocks in their income portfolios. Let's have a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS), Canada's two top utility stocks, to find out which is a better buy today.

Business strength

Both companies are well entrenched in their markets and have robust growth plans. Enbridge, North America's largest pipeline operator, plans to spend US$22 billion on development projects over the next three years. Its secured capital program includes projects such as the Line 3 Replacement, NEXUS, Dawn-Parkway Expansion, and the Hohe See Offshore Wind project.

St. John's-based Fortis has a $14.5 billion capital-spending plan for the next five years. That plan is comprised mostly of a diversified mix of low-risk projects and is fully funded through debt raised at the utilities, cash from operations, and common equity from the company's dividend-reinvestment plan.

Fortis provides electricity and gas to 3.2 million customers in the U.S., Canada, and Caribbean countries. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

Dividend hikes

Both utility stocks have solid dividend programs to attract long-term investors, whose aim is to remain invested and earn stable payouts.

Enbridge has paid dividends for over 64 years. It announced a 10% hike in its quarterly dividend per share to $0.671 this year. This translates into $2.684 per share on an annualized basis for 2018. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 11.7%.

Fortis is one of the leaders when it comes to rewarding its investors. This year marks the 44th consecutive year of increased dividend payments. Paying a $0.425-per-share quarterly payout, Fortis plans to deliver 6% average growth in its annual dividend each year through 2022.

Share performance

Both Enbridge and Fortis stocks have been under pressure for the past year due to rising interest rates in North America, which reduce the appeal of dividend stocks. But Fortis stock has fared much better in this downturn, falling 8% against the 18% decline in Enbridge shares.

Over the past five years, Fortis's performance has also been much better than Enbridge. Fortis stock delivered 33% in capital appreciation, whereas Enbridge stock fell 4%.

Which stock is a better buy?

Fortis's stock looks to be a much better choice for long-term investors, given its past performance. But Enbridge's poor performance is mainly the result of its share slump during the past one year.

Going forward, both companies have solid growth plans with very attractive dividend payouts. If I were to decide between the two stocks, I would evenly split my investment between the two to take advantage of the attractive 6.33% dividend yield by Enbridge and the low-risk Fortis.

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