Here’s a Little Stock That Can Beat Enbridge Inc. (TSX:ENB)

Description

If you have invested in the energy space for dividend income, you’ll most definitely know about the leading North American energy infrastructure company, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB).

Enbridge has increased its dividend for 22 consecutive years. And there’s no sign that indicates that it’ll halt that dividend growth streak. However, here’s a little stock that can outperform Enbridge.

Tidewater Midstream & Infrastructure Ltd. (TSX:TWM) is a small energy infrastructure company that you may not have heard of. If so, it’s normal because there’s less analyst coverage on the stock.

Tidewater pays a sustainable dividend

Tidewater just started paying a dividend this year. Although it only offers about half the dividend yield that Enbridge offers, its dividend yield is still a decent 3.08% yield. At the recent quotation of $1.30 per share at the time of writing, Tidewater is trading at the low end of its trading range since 2015. So, it’s not a bad place to enter the stock.

Tidewater’s dividend is sustained by a payout ratio of about 67%.

Tidewater has strong price appreciation potential

Actually, Tidewater's dividend is more like a bonus on top of its growth potential. Here's how exciting the opportunity in Tidewater is. While the analyst consensus at **Thomson Reuters Corp.** has a 12-month target of $52.20 per share for Enbridge (or near-term upside potential of about 13%), the consensus has a target of $2.18 per share for Tidewater (or near-term upside potential of about 68%!).

The business

Tidewater is building a diversified natural gas and natural gas liquids midstream and infrastructure company. It aims to profitably grow, and it has been doing so by acquiring and developing oil and gas infrastructure, including gas plants, pipelines, railcars, trucks, export terminals and storage facilities. It plans to provide customers with a full service, vertically integrated value chain through its acquisition and developments of oil and gas infrastructure.

Since Tidewater became a publicly traded company in 2015, it has announced or completed more than 14 acquisitions in strategic locations at steep discounts. As a result, it has experienced nine consecutive quarters of cash flow growth.

In fact, management expects the company to be able to grow its EBITDA per share by 20% per year for the next two years or so. Currently, Tidewater's pipeline network has connectivity from the Montney, to the Deep Basin, and into Edmonton in Alberta.

Investor takeaway

Tidewater is both a value and growth play. On a forward basis, it's trading at about a 50% discount compared to its peers, which likely has partly to do with its smaller size. However, if management is able to achieve its growth target set, the stock should trade significantly higher. While waiting for the stock to appreciation, investors can get a +3% dividend yield.

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