



## Is Enbridge Inc. (TSX:ENB) or TransCanada Corp. (TSX:TRP) a Better Buy Today?

### Description

In the last 12 months, both **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **TransCanada** ([TSX:TRP](#))([NYSE:TRP](#)) stocks have declined by about 14% or more. Pullbacks like these are a good reason to consider picking up shares of these [proven dividend-growth stocks](#).



Let's compare the two to see which may be a better buy today.

### Dividend safety

At about \$42.50 per share as of writing, Enbridge offers a dividend yield of about 6.3%. Based on its distributable cash flow per share of \$2.47 year to date and a quarterly dividend per share of \$0.671, Enbridge's payout ratio is about 55%.

At about \$53.40 per share as of writing, TransCanada offers a dividend yield of about 5.2%. Based on its distributable cash flow per share of \$3.08 year to date and a quarterly dividend per share of \$0.69, TransCanada's payout ratio is about 45%.

Based on the payout ratio, TransCanada offers a safer dividend.



### Dividend growth in the past and into the future

Enbridge has increased its dividend per share for 22 consecutive years with a three-, five-, and 10-year dividend-growth rate of 19.9%, 16.4%, and 14.6%.

Enbridge has visible growth through 2020 with \$22 billion of growth projects coming into service between this year and 2020. Management believes the projects will support average dividend growth of 10% from 2018 to 2020.

TransCanada has increased its dividend per share for 17 consecutive years with a three-, five-, and 10-year dividend-growth rate of 9.2%, 7.3%, and 6.3%.

TransCanada has \$28 billion of near-term capital projects. Combined with the organic growth from its existing business, it aims for annual dividend growth of 8-10% through 2021.

Investors should be able to get greater [dividend returns](#) from Enbridge based on management's dividend-growth targets for the next few years.

### Valuation

The analyst consensus from **Thomson Reuters** has a 12-month target of \$53.10 per share on Enbridge, which represents about 25% near-term upside potential. The consensus has a 12-month target of \$67.60 per share on TransCanada, which implies a near-term upside of nearly 27%. So, TransCanada seems to be slightly cheaper.

## Balance sheet strength

Both Enbridge and TransCanada have an investment-grade credit rating of BBB+.

At the end of the second quarter, Enbridge had a debt ratio of 0.56 (defined by total assets divided by total liabilities). It had about \$60 billion of long-term debt, while it's estimated to generate about \$13 billion of operating cash flow on an annualized basis.

At the end of the second quarter, TransCanada had a debt ratio of 0.68. It had about \$41.9 billion of long-term debt, while it's estimated to generate about \$6.4 billion of operating cash flow on an annualized basis.

These metrics indicate that Enbridge has a stronger balance sheet.

## Investor takeaway

From a total returns perspective, investors can potentially get a slightly higher return of about 32% over the next 12 months in TransCanada versus a return of about 31% in Enbridge. In terms of which company you should buy today, it depends on which of the discussed factors you care more about.

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1. Dividend Stocks
2. Energy Stocks
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2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
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