

# Enbridge Inc (TSX:ENB) vs. TransCanada Corp (TSX:TRP): Which Is the Better Pipeline for Your Portfolio?

## Description

These days, you can't go two minutes without hearing about pipelines. Between the many delays affecting Keystone XL and the political controversy surrounding Trans Mountain, oil and gas transportation is a hot button issue. Two of the companies front and centre in all of this are **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) and **TransCanada Corp** ([TSX:TRP](#))([NYSE:TRP](#)).

These companies share many similarities, as both are involved in building, maintaining and investing in pipelines. However, there are major differences between them as well. In this article I'll be taking a look at similarities and differences between Enbridge and TransCanada, and sharing my opinion on which is the better pick.

## Differing growth strategies

Enbridge and TransCanada vary somewhat in their approaches to growth. TransCanada is mainly focused on building pipelines, including the [contentious KeyStone XL](#) and the new Coastal GasLink pipeline, which will serve **Royal Dutch Shell's** massive LNG Canada project.

Enbridge, on the other hand, seems to be [focusing more on acquisitions](#). In the past decade, the company has completed two major ones: Midcoast Energy Partners (valued at \$170 million) and the Sarnia photovoltaic plant.

These strategies have different benefits. Enbridge's strategy of growth by investing lets the company buy into established companies, which means fewer political hurdles and no delays. TransCanada's strategy of building new pipelines, on the other hand, is more cost-efficient (at least in theory).

## Earnings

Neither Enbridge nor TransCanada has been doing well in terms of earnings growth lately. Both were down approximately 10% year-over-year in their most recent quarters. In TransCanada's case, earnings are very likely to start growing again once new pipelines like Keystone and Coastal GasLink become operational.

Enbridge, on the other hand, is currently suffering a costly pipeline explosion that will likely incur significant repair costs, harming earnings in the short term.

## Dividends

Dividend income is where Enbridge and TransCanada both shine. At the time of this writing, TransCanada had a yield of 5.25%, while Enbridge yielded 6.30%. Both these companies have a long history of raising their dividends.

However, in Enbridge's case, an alarming payout ratio may call that into question: the company spends 180% of earnings on dividend payouts, which isn't sustainable in the long term. TransCanada's dividend payouts are lower than earnings, which gives this stock a better chance of being able to continue raising the dividend.

### **Bottom line**

Both Enbridge and TransCanada are solid income stocks that can reward you handsomely even if share prices stay flat. However, both of them are experiencing issues with revenue and earnings growth for the time being.

I think TransCanada's short-to-medium term prospects are better, as KeyStone XL and Coastal GasLink will add new revenue streams for the company when they become operational. Overall, TransCanada is my favourite of the two, although not by a huge margin.

### **CATEGORY**

1. Energy Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

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andrewbutton

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