



Should You Buy Inter Pipeline (TSX:IPL) or Enbridge (TSX:ENB) Stock Today?

Description

Dividend investors are searching for stocks with high-yield distributions to add to their portfolios. The energy infrastructure companies have traditionally been popular picks with this crowd.

Income investors, such as retirees, want above-average yield. Buy-and-hold investors who are building RRSP and TFSA funds for retirement also turn to these stocks as part of their savings strategy.

Let's take a look at **Inter Pipeline** (TSX:IPL) and **Enbridge** (TSX:ENB)(NYSE:ENB) to see if one deserves to be on your [buy list](#) today.

IPL

IPL owns oil sands and conventional oil pipelines, natural gas liquids (NGL) extraction facilities, and bulk liquids storage sites in Canada and Europe.

Growth has come from a combination of acquisitions and organic projects, including the current \$3.5 billion polypropylene plant scheduled for completion by the end of 2021. The facility is expected to generate at least \$450 million in annual EBITDA, which should help support the distribution.

IPL has raised its dividend every year for the past decade and reported record earnings in 2018. The payout ratio was 60% for the year. That jumped to 82% in Q1 2019, so investors will want to keep an eye on cash flow, but the company is still generating adequate funds to cover the distributions.

The stock has pulled back to the point where investors can pick up a [dividend](#) yield of 8.4% while they wait for sentiment to improve.

Enbridge

Enbridge is North America's largest energy infrastructure company with oil and gas pipelines, natural gas distribution businesses, and renewable energy assets.

A strategy shift is underway that will see Enbridge sell up to \$10 billion in non-core operations as it focuses on its regulated businesses. Management already found buyers for \$8 billion of the assets identified for monetization. Enbridge also made it easier for analysts to evaluate the company after it brought four previous subsidiaries under the roof of the parent company.

Major pipeline developments are difficult to build these days and Enbridge's \$9 billion Line 3 Replacement project continues to face headwinds in the United States.

However, the company has a total of \$16 billion in secured developments on the go and additional growth opportunities are expected across the large asset base. Enbridge has recovered some lost ground but still appears reasonably priced right now.

The company raised the dividend by 10% this year and a similar increase is expected in 2020. Investors who buy the stock today can pick up a yield of 6.25%.

Is one more attractive?

IPL and Enbridge pay attractive dividends that should be safe. IPL probably offers better upside torque on a turnaround in sentiment in the sector, but also carries more risk due to its smaller size. Enbridge offers a lower yield, but the dividend-growth outlook is probably better in the medium term. If you only choose one, I would probably make Enbridge the first choice right now.

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