Forget Telus (TSX:T): This Dividend Stock Has a Far Higher Yield!

Description

Telus Corp (TSX:T)(NYSE:TU) is a favourite among Canadian dividend investors. With a 4.5% yield and a long track record of dividend increases, the stock is a solid choice for high and growing income.

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However, there's another large cap Canadian stock with even more income potential — a 6% yielder whose dividend growth rate is even higher than Telus'.

While this stock hasn't been able to deliver the capital gains that Telus has, its dividend results have been far better. When factoring in this stock's yield and dividend growth, it may be worth it just for the payouts alone. So without further ado, let's take a look at the high yield stock that may be even better than Telus.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is Canada's largest energy pipeline company. The company ships three million barrels of petroleum products a day to markets across Canada and the U.S.

Over the years, Enbridge has grown its business dramatically. Between 2015 and 2018, it grew earnings from $250 million to $2.8 billion. It recently produced $3.1 billion in adjusted EBITDA in a *single quarter.* Despite all of that, however, the share price has languished, which is partly why the yield is so high.

Why the yield is so high

Enbridge's extraordinarily high dividend yield comes down to two factors: a stagnant stock price and large dividend increases.

The languishing stock price mostly stems from the industry Enbridge is in. If ENB's share price followed its earnings trend, it would have risen dramatically over the last four years. However, there's a strong investor bias against Canadian energy stocks, which are suffering under Alberta's curtailments and weak oil prices.

As a pipeline company, Enbridge isn't so affected by oil prices, but it has been tarnished by association with the broader energy industry. As a result, its share price has fallen over the last five years.

The second reason for Enbridge's high yield is consistent dividend increases. Over the last 20 years, ENB's dividend has grown by 12.1% CAGR.

Over the last five years, the growth rate has been even higher, at 17%. That kind of dividend growth combined with a falling share price will naturally result in high yield, so it's little wonder that ENB is yielding an incredible 6% right now.

This company could surprise everyone

Right now, there's not much optimism toward the Canadian energy industry. To a large extent that's justified: oil prices remain weak years after the 2014 crash, and Alberta's curtailments remain in effect.

However, Enbridge has grown its earnings dramatically through all of this. If the company manages to get its Line III and Line V upgrades in operation, then we can expect future earnings growth to be even greater.

However, it would be best for investors to be patient, as it will be years before these infrastructure projects bear fruit.

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