



## Air Canada (TSX:AC) or Enbridge (TSX:ENB): Which Should You Buy?

### Description

Dividend or growth? That's the answer most investors have to ask themselves when picking their stock. Of course, most investors would love locking in a generous yield as well as awesome growth potential in one stock, but that's not an easy find. But it might be better, from both diversifications and return perspectives, to buy separate growth and dividend stocks.

There are plenty of choices when it comes to both growth and dividend stocks, but few companies come with the history and pedigree of **Air Canada** ([TSX:AC](#)) as a growth stock and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) as a dividend stock. Let's see which might be the better pick if you are only going with one, i.e., dividends or growth.

### The case for Air Canada

Air Canada, as it stands right now, is more of a recovery stock than a pure growth stock. But there was a time when it was considered one of the most promising growth stocks trading on the **TSX**. The pandemic has stolen that status away from [the company](#) and has "pummeled" the company (financially). But the resilient Air Canada refused to stay down or declare bankruptcy.

The company and the stock survived the pandemic's onslaught and grew more than 100% from its rock-bottom valuation during the pandemic-driven crash. Many investors believe that the company has the potential to reclaim its former valuation of around \$50 per share, and if that's the case, then buying Air Canada now could easily double your capital.

And if the third wave of the pandemic, which is brutalizing a significant number of countries even now, impacts Air Canada's international and local air travel, and the stock dips, you might be able to buy Air Canada at an even better price.

### The case for Enbridge

Enbridge is currently enjoying the optimism surrounding the energy sector. 2020 was one of the worst

years in the history for the sector, and many companies are still dealing with the surplus they produced/processed when the demand hit rock bottom. The stock has grown 17% from the start of this year, and thanks to its generous payouts, the yield is still an attractive number of 7.3%.

Enbridge doesn't just offer a high yield. It has grown its dividends for 25 years straight, which means it's not just an aristocrat by Canadian standards, but by the U.S. standards as well. The payout ratio is unstably high at 218%, but Enbridge has sustained and even [grew its dividends](#) with the worst payout ratios (two times in the last five years).

The revenue of the company is recovering, but it still has a long way to go to get anywhere near the 2019 levels.

## Foolish takeaway

Both Air Canada and Enbridge look relatively solid right now. But if I had to choose one of the two as a long-term holding, I might go with Air Canada. The energy sector is recovering, but we don't know what it will look like in 20 or 30 years from now. The world is moving swiftly toward an oil-free future, and Enbridge might not fare well when that happens. That said, it might still be an amazing dividend bet for at least a decade or so.

### CATEGORY

1. Dividend Stocks
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2. TSX:AC (Air Canada)
3. TSX:ENB (Enbridge Inc.)

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**Author**

adamothonman

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