# Enbridge or Pembina Pipeline: Which Is a Better Buy for Income-Seeking Investors?

## Description

Canadian equity markets have delivered impressive returns this year, with the benchmark index, the **S&P/TSX Composite Index** rising 15.9%. However, concerns over rising inflation and higher valuations have turned the equity markets volatile recently. So, amid rising volatility, investors can strengthen their portfolios and earn stable passive income by investing in high-yielding dividend stocks.



After witnessing a selloff last year, the energy sector has bounced back strongly this year amid rising oil prices. Growing oil demand amid the reopening of economies worldwide and supply constraints have led oil prices to increase. So, amid renewed interest in the energy stocks, let's look at which among **Enbridge** (TSX:ENB)(NYSE:ENB) and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is a better buy right now.

## Enbridge

Enbridge is a midstream energy infrastructure company with significant exposure to renewable power generation. Currently, the company operates 40 diverse revenue-generating sources, with approximately 98% of its cash flows generated from regulated or long-term contracts. Supported by these stable cash flows, the company has been paying dividends uninterruptedly for the previous 66 years while raising it for 26 straight years at a CAGR of over 10%.

Meanwhile, Enbridge currently pays quarterly dividends of $0.835 per share, with its forward dividend yield standing at 6.8%. The company has planned to invest around $17 billion over the next three years, expanding its midstream and renewable assets. Along with these investments, the recovery in oil demand could improve its liquid pipeline's throughput driving its financials higher. So, the company is hopeful that its DCF per share could grow 5-7% over the next three years, allowing the company to maintain its dividend hikes.

Amid the recovery in the energy sector, Enbridge's stock price has increased by 21.1% this year. Despite the rise, the company's valuation looks attractive, with its forward price-to-earnings standing at

18.2.

## Pembina Pipeline

Pembina Pipeline has been paying dividends regularly since 1998. Over the last 10 years, the company has delivered an impressive performance, with its adjusted EBITDA per share and average cash flows per share growing at a CAGR of 12.2% and 9.8%, respectively. Meanwhile, these strong financials have allowed Pembina Pipeline to raise its dividend at a CAGR of 4.9% over the last 10 years.

Currently, the company pays a monthly dividend of $0.21 per share, with its forward yield standing at 6.21%. Meanwhile, the company is planning to make a capital investment of $785 million this year. The recovery in oil demand and higher oil prices could boost its financials in the coming quarters.

Further, Pembina Pipeline is also working on completing the acquisition of **Inter Pipeline**, which could deliver $150-$200 million in savings due to synergies and boost the company's cash flows. The acquisition could also contribute $0.01 to Pembina Pipeline's monthly dividends.

Meanwhile, Pembina Pipeline has outperformed the broader equity markets this year, with its stock price rising close to 35%. Yet the company still trades an attractive forward price-to-earnings multiple of 17.7.



## Bottom line

Although both companies are paying dividends at a healthier yield of over 6%, I would like to go with Pembina Pipeline. With oil prices expected to stay elevated in the near to medium term, Pembina Pipeline is well equipped to benefit from that. Pembina is also trading at a cheaper valuation than Enbridge.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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