How Does Enbridge (TSX:ENB) Stock Compare to Other Dividend Aristocrats?

Description

The Dividend Aristocrat: it's a top target for dividend seekers and the second-highest level before Dividend King. A Dividend Aristocrat must raise dividends each year for 25 consecutive years. One popular company that has dominated the top lists of Dividend Aristocrats is **Enbridge** (TSX:ENB)(NYSE:ENB). But is Enbridge stock *really* the best choice among Dividend Aristocrats?

I'm going to take a look at a few key indicators of what makes Enbridge stock a great dividend stock. However, I'm also going to compare it to another Dividend Aristocrat. By the end, Motley Fool investors may have another option to add to their dividend portfolios.

How Enbridge stock stacks up

As of writing, Enbridge stock currently boasts a dividend yield of 6.66%. That dividend has increased at a compound annual growth rate (CAGR) of 14.32% over the last decade! Right now, if you were to buy this dividend stock, you would bring in $3.34 per share per year. The company also has a payout ratio of 109%, and this is where things get a little dicey.

A payout ratio percentage is the amount of company's earnings or cash flow paid out to shareholders as dividends. When a company has a payout ratio over 100%, that means it's paying more dividends than it can afford.

Let's take a look at that CAGR for the dividend yield. Over a decade, 14.32% looks pretty great! But in the last five years, the annual growth has been closer to 10%. That's still fantastic, really, but it's troublesome given that it's paying out dividends that, as of now, it can't afford.

Now, granted, the oil and gas industry is improving. Enbridge stock has projects underway that will continue bringing in cash flow. Beyond that, it also has long-term contracts that can support decades of dividend growth. So, Enbridge overall looks like a strong Dividend Aristocrat that can support decades more of growth. But what about other Dividend Aristocrats?

Top Dividend Aristocrats right now

Enbridge stock is included among top Dividend Aristocrats right now, but it's not the only one. The key is to find Dividend Aristocrats in strong sectors that are due for a rebound. That would include energy, sure, but also real estate, financials, and even some telecommunication stocks.

Some of the top Dividend Aristocrats don't have as high a yield as Enbridge stock and certainly don't have as high a dividend CAGR over the last decade. In fact, most don't even get half as high.

The only company that comes even close to as good as Enbridge stock is **Canadian National Resources** (TSX:CNQ)(NYSE:CNQ). The company right now has a 4.29% dividend yield — one that's grown at a dividend CAGR of 18.94% over the last decade! So, it's definitely higher than Enbridge stock. But you'll notice the yield is lower at just $1.88 per share per year.

However, the payout ratio is at a far more affordable 50.53% as of writing. And the growth over the last few years has been closer to 11% or 12%, with shares rising steadily as well. It's in a similar position to Enbridge stock, seeing the rebound in oil prices help move its strength in the natural gas market. Meanwhile, it's been using its strong cash flow to bolster the balance sheet as well as make share buybacks. It now has $5.6 billion in liquidity as of the latest earnings report. And while Enbridge stock is waiting on new projects, CNQ has moved ahead with three acquisitions in the first half of 2021 to strengthen long-term growth.

Bottom line

CNQ is a strong company that Motley Fool investors can consider. But when we're talking how Enbridge stock holds up against other Dividend Aristocrats, it remains a top choice. While there may be a waiting game, it's practically assured that the company will soon have more pipelines up and running. And with only one other stock coming even close to the dividend CAGR and yield it has, Enbridge stock is definitely a strong choice for any Motley Fool portfolio.

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