Better Buy: Enbridge Stock vs. TC Energy

Description

Enbridge (TSX:ENB) and **TC Energy** (TSX:TRP) are popular stocks with Tax-Free Savings Account (TFSA) dividend investors who want to get reliable and growing passive income.

The market correction is giving investors a chance to buy top energy infrastructure stocks at attractive prices after a meaningful pullback from the June highs.

Enbridge

Enbridge generated third-quarter (Q3) adjusted earnings of $1.4 billion in 2022 compared to $1.2 billion in the same period last year. Distributable cash flow (DCF) came in at $2.5 billion, or $1.24 per share, compared to $2.3 billion, or $1.13 per share, in Q3 2021.

Management reaffirmed full-year 2022 guidance with an earnings before interest, taxes, depreciation, and amortization (EBITDA) target of $15 billion to $15.6 billion. Distributable cash flow is expected to be as high as $5.5 billion.

Enbridge increased the dividend by 3% in each of the past two years, extending the annual payout increase streak to 27 years. Investors should see the trend continue, supported by the current $17 billion capital program.

Enbridge is expanding its renewable energy operations through the recent acquisition of a solar and wind project developer in the United States. The company is also targeting export opportunities with the purchase of an oil export terminal in Texas and an investment in the $5.1 billion Woodfibre liquified natural gas (LNG) development in British Columbia. The facility is expected to be in service by the end of 2027.

Enbridge stock trades for $53.50 at the time of writing compared to more than $59 earlier this year. Investors can now get a 6.4% dividend yield.

TC Energy

TC Energy operates more than 93,000 km of natural gas pipelines and 650 billion cubic feet of natural gas storage in Canada, the United States, and the Caribbean. The company also has power-generation facilities and oil pipelines.

The surge in global demand for North American natural gas bodes well for TC Energy. The company's American operations include a strategic pipeline connection from the Marcellus and Utica shale plays to the U.S. Gulf Coast where LNG terminals ship the fuel to international buyers. In Canada, TC Energy is building the Coastal GasLink pipeline that will transport natural gas from northeastern British Columbia to another new LNG plant on the B.C. coast.

TC Energy reported solid Q3 2022 results. Net income came in at $841 million in the quarter compared to $779 million in the same period last year. Comparable EBITDA was $2.46 billion compared to $2.24 billion in Q3 2021.

The secured capital program is now $34 billion. As new assets are completed and go into service management says comparable compounded EBITDA growth will be 6% per year through 2026. This is expected to support annual dividend increases of 3-5%.

TC Energy stock trades near $61.50 at the time of writing compared to $74 in June. The pullback appears overdone, given the strong results and good guidance. Investors who buy at the current price can get a 5.85% dividend yield.

Is one a better bet?

Enbridge and TC Energy pay attractive dividends that should continue to grow. Enbridge offers a higher yield, while TC Energy likely has more upside potential in the share price over the medium term. At this point, I would probably split a new investment between the two stocks.

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