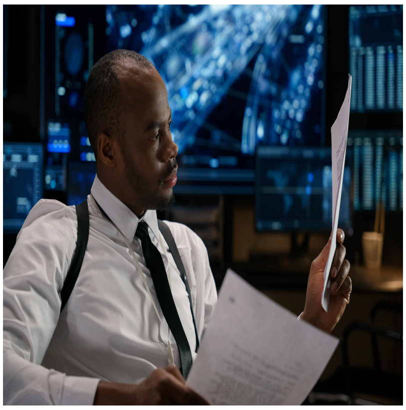

Better Buy: TD Stock vs. Enbridge

Description

TD (TSX:TD) and **Enbridge** (TSX:ENB) are two of Canada's top dividend stocks. The market correction in now has these TSX stocks trading below their 12-month highs, and investors with cash to put to work are wondering if one is a better buy.

TD

TD is Canada's second-largest bank with a current market capitalization near $160 billion. The bank is known for its strong Canadian retail banking operations, but TD actually has more branches in the United States, and the American business is going to get a lot bigger.

TD is in the process of closing its US$13.4 billion purchase of **First Horizon**. The deal will add more than 400 branches primarily located in the southeastern states. TD's existing branch network runs from Maine down the east coast to Florida, so the addition of First Horizon appears to make sense.

TD is also spending US$1.3 billion to buy **Cowen**, an American investment bank. The move will boost TD's capital markets capabilities.

TD's share price sits near $89 at the time of writing. That's above the $78 low the stock hit last summer, but still down 12% over the past 12 months. Investors who missed the dip can still buy TD at an attractive 9.4 times trailing 12-months earnings and pick up a 4.3% dividend yield.

Management expects adjusted earnings per share to grow 7-10% in fiscal 2023, despite the economic headwinds. Investors should see a generous dividend increase emerge this year once the acquisitions are completed south of the border.

Enbridge

Enbridge is a giant in the North American energy infrastructure sector with oil and natural gas pipelines, storage facilities, natural gas utilities, export terminals and a growing renewable energy group.

Management knows the days of driving growth through the construction of large oil pipelines are over. Investment is now focused on taking advantage of growing global demand for North American oil and natural gas. Enbridge already transports 30% of the oil produced in Canada and the United States and 20% of the natural gas used by American businesses and homes. As such, it makes sense that the company is adding export capabilities.

Enbridge purchased an oil export terminal in Texas for US$3 billion in 2021. Last year, it took a 30% stake in the Woodfibre liquified natural gas (LNG) terminal being built in British Columbia.

The board raised the dividend by 3.2% for 2023, extending the annual divided-growth streak to 28 years. The stock outperformed the TSX in 2022 and should hold up well this year, even if the economy goes through a recession.

At the time of writing, investors can pick up a 6.4% dividend yield.

Is one a better buy today?

TD and Enbridge pay attractive dividends that should continue to grow. TD looks undervalued right now and will likely deliver larger dividend increases in the next few years. Enbridge, however, offers a higher yield and should be less volatile if a recession turns out to be deeper than expected.

At this point, I would probably split a new investment between the two stocks.

CATEGORY

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2. Investing

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