



Enbridge Inc. Is a Dividend-Growth King

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) is a pipeline giant with a fantastic, growing yield that income investors would love. I believe that the potential merger between the company and **Spectra Energy Corp.** ([NYSE:SE](#)) increases its growth potential, and I think the stock could be headed for even more dividend raises over the next few years.

Dividend-growth king for many years to come

Enbridge is a transporter of energy with an impressive pipeline network that would take a competitor years to create. The dividend is safe and growing fast. In the last annual report, Enbridge predicted up to a 14% cash flow-per-share growth rate with its dividend growth at 10-12% through to 2019.

The Spectra merger will have a very positive impact on the dividend paid to investors. A dividend raise of 15% was promised to investors once the deal is finalized in the early part of 2017. The dividend could also grow up to 12% per year all the way to 2024.

I am a firm believer that dividend-growth stocks are indicative of a durable competitive advantage, and in the case of Enbridge, I believe the dividend-growth story is just getting started. Retirees should put Enbridge in their RRSP accounts and collect the dividends for many years to come.

Enbridge has a very experienced management team that is focused on the long-term growth and strong fundamentals. Once the Spectra deal is wrapped up, I think investors will reap huge rewards from the continuously growing dividend. Management promised this, and a pipeline company like Enbridge is subject to less volatility than your typical energy company.

It's a safer play on energy since Enbridge has no part in commodity production; it simply transports the energy from point A to point B. Crude by rail is slowly going out of favour due in part to the rail incidents involving large amounts of spilled oil. I believe this trend will continue and the volumes transported by pipeline companies like Enbridge will only go up; its dividend will go up proportional to the amount of cash flow the company brings in.

Once the Spectra merger is finished, Enbridge will have a whopping \$48 billion worth of projects to

expand its pipeline network. It's quite rare to see an opportunity that offers growth as well as a high dividend yield, and, in the case of Enbridge, long-term investors in the stock can get the best of both worlds.

What about valuation?

Enbridge is a great company, but with a P/E of 41.4 and a P/B of 3.9, I would say the stock is in line with historical valuations. The stock's five-year historical average P/E and P/B are 61.1 and 4.4, respectively, and with a current 3.7% yield, long-term investors who don't care about short-term fluctuations of the market should jump on this opportunity.

The stock seems expensive based on traditional valuation metrics, but when you consider the growth, the stock is fairly valued and is a buy.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SE (Sea Limited)
3. TSX:ENB (Enbridge Inc.)

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Date

2025/09/22

Date Created

2016/11/02

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