



This Is 1 Incredible Dividend Stock

Description

The best dividend stocks are known as dividend aristocrats, which are those companies that have increased their payout every year for the past quarter century.

While Canadian oil pipeline giant **Enbridge Inc.** ([TSX:ENB](#)) ([NYSE:ENB](#)) is a few years short of qualifying as a true dividend aristocrat, what it lacks in years, it has made up for in its rate of growth. It is a pace that the company doesn't expect to see slow down anytime soon. Instead, the pipeline giant has clear visibility to continue growing its dividend at an incredible rate for nearly another decade.

A history of double-digit increases

Enbridge has paid its investors a dividend for the past 63 years and raised its payout for the last 21 years. These have not been token increases just to keep its streak alive. On the contrary, the company has boosted the payout by a 10.6% compound annual growth rate over the past two decades.

Three factors fueled that growth.

First is rising energy demand in North America, which enabled Enbridge to build or buy energy infrastructure assets that supported the flow of hydrocarbons from supply basins to market centres.

Second, the company chose to build or buy assets underpinned by strong economics, primarily backed by fee-based contracts that provided stable income.

Finally, the company funded that growth in a conservative manner using a combination of excess cash flow, which it complemented with debt and equity financing, so it maintained a strong investment-grade balance sheet.

Combined, these factors enabled Enbridge to deliver steady cash flow growth, allowing it to hand out double-digit dividend increases to investors over the long term.

Clear visibility for double-digit increases through 2024

Enbridge expects more of the same in the years ahead. The company currently anticipates growing its dividend by 10-12% per year through 2024. It is already off to a strong start on that plan this year and recently increased the payout by 10%.

Two factors will drive dividend growth in the near term.

First, Enbridge expects to close its acquisition of U.S. natural gas pipeline company **Spectra Energy Corp.** ([NYSE:SE](#)) early this year, which will enable the company to provide its investors with another incremental dividend increase, so that its year-over-year increase should be 15% for 2017.

Second, the combined companies have a \$26 billion near-term project pipeline, which they believe will support 12-14% growth in available cash flow from operations through 2019. That cash flow growth combined with merger synergies should easily support 10-12% annual dividend growth over that period while maintaining a conservative payout ratio of 50-60%.

Also, the combined entity has identified an inventory of \$48 billion of potential investment projects that it can pull from to drive dividend growth early in the next decade. These projects include oil pipeline expansions, natural gas pipeline projects, midstream assets, offshore wind farms, and several other compelling energy infrastructure projects. This visible project backlog supports Enbridge's ability to deliver on its promised growth through 2024.

Investor takeaway

Enbridge has been an incredible income stock over the past two decades thanks to its capacity to deliver double-digit dividend growth. The company fully expects that growth to continue over the next several years thanks to its massive backlog of compelling energy infrastructure projects. That clearly visible income growth makes Enbridge one stock that dividend investors will seriously want to consider owning for the long term.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks

- 2. Energy Stocks
- 3. Investing

Date

2025/07/19

Date Created

2017/01/17

Author

mdilallo

default watermark

default watermark