An Impressive Dividend Champion Every Investor Should Own

Description

Time and again, dividend investing has demonstrated that it is one of the best means for achieving investing success. The secret to successful dividend investing is selecting high-quality companies with mature businesses, wide economic moats, and steadily growing cash flows.

One stock that stands out for all of these reasons and more is midstream services provider to the energy patch **Enbridge Inc.** (TSX:ENB)(NYSE:ENB).

Now what?

Not only does Enbridge possess a wide economic moat because of steep regulatory barriers to entry and the significant capital requirements, but demand for the use of its pipeline network is inelastic. Along with a significant proportion of Enbridge's cash flows being contractually locked in, this makes it relatively immune to downturns in the economic cycle.

In fact, with Canadian 2017 crude output expected to grow coupled with the fact that pipelines remain the most efficient means of transporting oil, demand for Enbridge's pipeline network can only grow.

This bodes well for solid long-term earnings growth, particularly when it is considered that Enbridge is focused on expanding its transportation network to boost capacity and meet growing demand from the energy patch. It is doing this through internal growth initiatives and acquisitions, including acquiring a US$1.5 billion equity interest in the Bakken Pipeline System during the third quarter 2016.

Then there is the planned $37 billion merger with **Spectra Energy Corp.** (NYSE:SE), which, once complete, will create North America's leading energy infrastructure company. This will give Enbridge a dominant role in the provision of midstream and transportation services to North America's rapidly expanding energy industry.

As a result, it will be well positioned to benefit from Trump's focus on attaining U.S. energy independence and growing U.S. oil production.

For these reasons, along with 95% of its cash flows underpinned by long-term contracts, Enbridge has been able to hike its dividend at an impressive rate. It has increased its dividend for the last 21 years straight and now rewards investors with a tasty 4% yield. This gives the dividend an impressive 20-year compound annual growth rate of just under 11%.

Enbridge expects to maintain this rate of growth between now and 2020; this highlights why this is one dividend stock that should be in every investor's portfolio.

Enbridge offers investors the ability to reinvest their dividends through its dividend-reinvestment plan, or DRIP. The DRIP allows investors to automatically reinvest their dividends into Enbridge common shares at a 2% discount from their value without incurring any brokerage fees.

More importantly, it allows investors to access the power of compounding.

You see, not only do investors benefit from the rising value of Enbridge's stock but also from the steadily growing dividend, which further enhances their returns. Had an investor purchased $10,000 of Enbridge stock 10 years ago and received the dividends instead of reinvesting them**,** they would now have $77,951.30. This equates to a total of 679.5%, or an annualized yield of 10.8%.

However, had they elected to reinvest the dividends through the DRIP, they would now have $130,931.15, which is a total yield of 1,210%, or 12% annually. This demonstrates just how effective compounding is as a means of enhancing returns.

So what?

Enbridge's impressive history of dividend growth and the planned merger with Spectra as well as its large portfolio of projects under development bode well for Enbridge's ability to continue growing earnings. It is also well positioned to profit from growing North American oil and gas production, which will support earnings growth in coming years, especially with the Trump administration focused on boosting U.S. oil energy output.

These factors mean that Enbridge can continue to reward investors through that tasty 4% yield and regular dividend hikes for years to come.

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Date
2025/06/28
Date Created
2017/01/31
Author
mattdsmith