



Is Enbridge Inc. a Great Income Booster?

Description

Income investors look for companies that have strong yields, but they also look for companies that are increasing the dividend. The idea is that even if the yield is not strong yet, if management is increasing the dividend, there is solid growth in the future for that company. When you're looking at a company like **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), you've got both a high-yielding and consistently growing business.

Enbridge hiked its dividend for a second time this year. The company said when it completed the acquisition of Spectra Energy, it would boost the dividend. And it did, giving investors a 10% raise. But management had, all along, talked about a total 15% boost. Management came through again. It just recently announced a second, 4.6% increase in its dividend, boosting the total dividend to \$0.61 per share.

A big reason management felt so confident about paying such a large dividend is because its business is a cash flow—generating machine that offers predictability. As long as oil and gas companies need to transport their fluids, there is going to be business for Enbridge. And the company charges a flat per-barrel fee, so it's like operating an energy toll booth.

But its recent acquisition of Spectra Energy puts it in a position to become an even more powerful income company. That's because the acquisition gives Enbridge significant exposure to the natural gas business — something it had been lacking before. Not to mention, the company expects that by the end of 2018, the combined entities will create annual synergies of \$540 million.

But cost savings is only one way this business is going to grow. Both companies had aggressive growth strategies; now that they're merged, Enbridge will be pushing quite a few cash flow—generating projects online.

In 2017 alone, \$6 billion in projects are expected to come online, including the Norlite Pipeline System project, which has capacity for 130,000 barrels per day, the Bakken Pipeline system, which can transport 470,000 barrels per day, and the Regional Oil Sands Optimization project. This is just a taste of the \$26 billion the combined companies have in near-term projects that should come online by the

end of 2019; there is an additional \$48 billion in long-term projects the company is considering.

Here's what you have to look forward to going forward...

Between now and 2024, management is looking to increase the dividend by 10-12% annually. We've already seen a nearly 15% increase built around the Spectra acquisition; so, I see little reason why Enbridge can't continue to increase the dividend yearly, especially with the short- and long-term projects that are expected to come online.

All in all, Enbridge is one of the best picks for income investors looking for growing dividends. This company generates significant cash flow, is well diversified thanks to the Spectra acquisition, and has a lot of long-term projects that should help the company continue to grow. I don't think you can go wrong with Enbridge.

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