Enbridge Inc.’s Dividend and Growth Look Attractive

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) shares have become more attractive due to the year-to-date pullback of ~11%. The dividend-growth star now trades near its one-year low and offers a yield of nearly 4.9% at ~$50 per share.

What does Enbridge do?

Enbridge is the largest energy infrastructure company in North America with an enterprise value of ~$165 billion. Its operations cover key supply basins and demand markets in North America, so it can transport natural gas and energy as needed.

It has natural gas processing, storage, and transportation capabilities, as well as liquids pipelines. Further, it has 3.5 million retail natural gas customers and 2,200 MW of net renewable energy generation.

A complex business structure

Enbridge boasts it is “a North American leader in the safe and reliable delivery of energy.”

It is not a simple business, though. Enbridge has economic interests in these public entities: **Enbridge Income Fund**, **Spectra Energy Partners**, **Enbridge Energy Partners**, and **Enbridge Energy Management**. Its group of businesses is structured in a way that’s supposed to be advantageous for the company as a whole.

For example, one of its main investments in the near term is the Line 3 Replacement, which is proposed to replace 1,660 km of the original Line 3 crude oil and liquids pipeline.

For the project, Enbridge Pipelines Inc., a subsidiary of Enbridge, is estimated to invest $5.3 billion; and Enbridge Energy Partners, of which Enbridge held a ~35% economic interest at the end of 2016, expects to invest US$2.9 billion.

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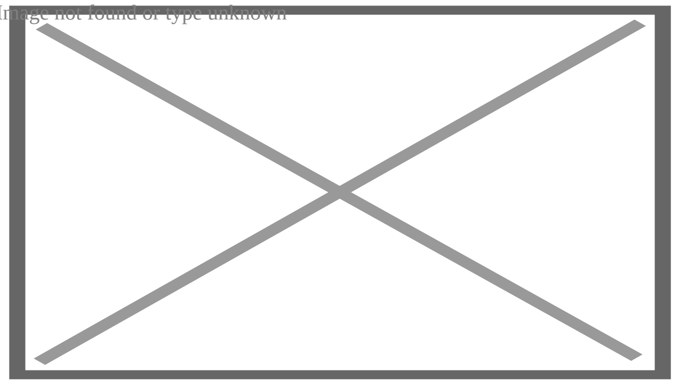

A simple dividend-growth stock

For dividend investors, Enbridge can be viewed as a simple dividend-growth stock. The company is a dividend-growth star for having hiked its dividend for 21 consecutive years. Only nine other public Canadian companies have achieved that feat.

Out of this group of 10 companies, only four, including Enbridge, have increased their dividend per share at a double-digit rate for the last one-, three-, five-, and 10-year periods.

Thanks partly to the merger with Spectra Energy Corp., Enbridge forecasts growth that will support dividend growth of 10-12% per year through 2024. Seldom do companies forecast that far out into the future. So, management must be quite confident about Enbridge’s future.

After the dip, the shares now offer a compelling yield of nearly 4.9% supported by a payout ratio of 50-60% of its available cash flow from operations. Coupled with the double-digit dividend growth that Enbridge forecasts, the stock is a simple-to-understand dividend-growth investment.

Investor takeaway

Enbridge spells out clearly that it’s a serious dividend-growth stock with a strong track record of growth. It also has the goal to continue increasing its dividend by 10-12% per year through 2024.

The stock offers a juicy ~4.9% yield for starters. If it dips further, it’ll be an even more enticing investment for income and total returns.

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