



Looking for Superior Dividend Growth? Buy Enbridge Inc.

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) shares are down nearly 15% over the past year, as shares continue to move in a negative trajectory. The company is now the largest pipeline operator in North America following the \$37 billion acquisition of Spectra Energy earlier in the year, which is expected to drive dividend growth for many years to come.

Top-notch dividend growth is a huge reason to own the stock for the long term

The stock of ENB currently has a bountiful 4.84% dividend yield, which is enough to satisfy the hungriest of income investors, and the best part is, this dividend is expected to grow by leaps and bounds as the management team integrates assets from Spectra.

The management team estimates that dividend will grow by a 10-12% compound rate over the next four years. With \$4 billion in secured projects in the pipeline, a predictable surge of cash flow is on the horizon, and it's going right back into the pockets of shareholders.

ENB is ridiculously cheap given the quality of its dividend

The stock currently trades at a 36.57 price-to-earnings multiple, a 1.7 price-to-book multiple, and a 10.7 price-to-cash flow multiple, all of which are lower than the company's five-year historical average multiples of 65.6, 4.5, and 12.8, respectively. In addition, the dividend yield is substantially higher at 4.84% than the five-year historical average yield of 3.1%. That's over 50% higher than average!

The stock is ridiculously cheap right now, and if you're a dividend-growth investor with a long-term horizon, then you simply cannot go wrong by picking up shares on the current weakness that the stock has been experiencing.

Bottom line

We're in a rising interest rate environment, which isn't great news for Enbridge; however, I believe the stock has been oversold at this point. The quality and growth potential of the dividend are reasons the stock should trade at a significant premium to its competitors.

The dividend-growth plan is something to be optimistic about as a long-term investor. If you hang on to shares for the next decade, you'll have a yield north of 10%, so if you're planning on living off the income from your investments in a decade from now, do yourself a favour and load up on shares of ENB on the way down.

You get a fat dividend today, a promise of a bigger one in the future, and top-notch dividend stability should the markets head south.

Stay smart. Stay hungry. Stay Foolish.

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