



Enbridge Inc.: A High-Yield Dividend Stock I'd Buy Right Now

Description

There is no doubt that investing is all about getting the right price for the risk you are taking.

In many cases, a high-yielding dividend stock is just like a falling knife that should be avoided by prudent investors. Sometimes, however, the market presents opportunities that are worth considering, even for very conservative income investors.

In Canada, [Enbridge Inc. \(TSX:ENB\)\(NYSE:ENB\)](#) is a top energy stock that deserves a closer look to find out if its high dividend yield presents a buying opportunity.

After a 13% plunge in one month, Enbridge's dividend yield is now at a record high level. At a 5.4% annual yield, investors are now getting more than double the yield they earned in 2007.

What is behind this double-digit loss in the stock value of this energy giant, and why are investors not taking advantage of this opportunity?

Dividend uncertainty

Some investors have doubts that the company will be able to maintain its targeted [10-12% dividend growth](#) due to some funding constraints. as Enbridge undertakes a massive \$31 billion development plan after its Spectra Energy acquisition last year.

Enbridge further fueled these speculations when it chose not to reiterate its dividend guidance in its third-quarter earnings in November.

But I think investors have overreacted to this development. We should not ignore the fact that Enbridge has a stable revenue stream, which is backed by high-quality assets with very little exposure to cyclical commodity prices.

Furthermore, the company has this \$31 billion project backlog, which is going to further strengthen its cash generation to help the company continue with its dividend hikes.

Bank of Montreal analyst, Ben Pham, sees this pullback a "once-in-a-multi-year buying opportunity," giving Enbridge shares an "outperform" rating and a 12-month target price of \$70 — a 56% upside

from its current price of \$44.86.

The bottom line

There is no doubt that Enbridge stock is currently facing some uncertainty regarding its dividend growth. But for long-term income investors, this is a small bump in the company’s long history of delivering above-average returns.

The company has never missed a dividend payment to shareholders since 1953. Those who’d invested \$15,000 in Enbridge stock a decade ago have seen their investments more than double to \$37,500 on a total-return basis.

I think Enbridge will not deviate from its dividend-growth targets of 10-12% when it presents its investment case to investors in December. This is a good time to take advantage of these compelling valuations, which Enbridge stock is offering to long-term income investors.

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