



## Enbridge Inc.: Is the Stock a Buy as the Dividend Yield Moves Closer to 6%?

### Description

**Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is a dividend-growth king that's a core holding for many Canadian investors. With shares falling ~22% from 52-week highs, is it time to be a buyer or a seller as shares continue to pick up negative momentum heading into the holiday season?

### Still a great deal of uncertainty

Newly proposed pipeline projects are facing a lot of resistance, and this is probably going to be a headwind that's going to stick around for the long haul. Management stated that the [Line 3 pipeline](#) needs to be replaced, but there has been a tonne of opposition from protesters, so it's going to be very difficult for the company to make progress, as it looks for approval across the geographies it runs through. Construction is already moving forward in Canada, Wisconsin, and North Dakota, but the company's is still waiting for approval by the state of Minnesota, which is expecting to publicly announce a decision in April 2018.

The Line 3 replacement project is expected to be a huge growth driver once it's in service in a few years, so should Minnesota announce the approval of the project, I suspect Enbridge shares could start to rally after losing ground over the past few years.

I still believe Enbridge is still completely capable of delivering 10% in annual dividend growth until 2024 should all things go according to plan, but it's also quite possible that the dividend-growth forecast may be downgraded should management decide to focus its efforts on longer-term investments or to use the cash to chip away at the debt.

### Valuation

Shares of Enbridge trade at a 23.49 price-to-earnings multiple, a 1.5 price-to-book multiple, and a 9.6 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. The [stock is really cheap](#), but it will likely continue to face a tonne of volatility in the meantime, as investors' fear increases due to the cloud of uncertainty following the company.

## Bottom line

Enbridge is coming off a Q3 2017 earnings miss, and there are fears over what may happen if Minnesota doesn't give the green light to one of its critical projects. Enbridge is still a cheap dividend-growth king, but investors shouldn't panic if the magnitude of dividend growth going forward isn't as high as it's been in the past.

For income investors with a stomach for near-term volatility, Enbridge is a terrific buy on the dip. Just make sure you've got cash on the sidelines to buy more, since it's likely the stock could continue its tumble as the dividend yield (currently at 5.31%) inches closer towards the 6% level.

Enbridge is still a shareholder-friendly company whose management team is doing everything it can to keep its promise of delivering a 10-12% annual dividend-growth rate.

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