

Enbridge Inc.: The Double-Digit Dividend Growth Continues! Time to Buy?

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) surprised some investors after announcing its plans to [increase its dividend by 10%](#) next year, despite ongoing concerns that have been plaguing the stock. Enbridge is a dividend-growth king, and it should be no surprise that the management team is doing everything it can to keep its income investors happy.

The general public was already expecting a potential decrease in the magnitude of dividend growth going forward, so shares popped over 6% in a single trading session following news that management will sell \$3 billion in assets next year to keep its promise of annual dividend hikes of at least 10%. In addition to announcing the completion of its strategic plan, management also shed some light on its three-year financial outlook, which caused many investors to breathe a sigh of relief after shares went in free fall mode in the beginning of the year.

Income investors are happy, but skeptics see the strategic plan as a longer-term negative

The management team is extremely shareholder friendly — perhaps too shareholder friendly for its own good. Patrick Horan, an analyst who's short Enbridge, recently appeared on BNN to discuss his thoughts on Enbridge's strategic plan, which he believes "makes no sense." Horan stated that Enbridge "hasn't earned its dividend" and shouldn't be hiking its dividend by a 10-12% target at these levels, as the company continues to face hardships.

A promise is a promise!

In my [previous piece](#), I outlined the possibility of a dividend-growth forecast downgrade; however, I also noted that management would probably do everything in its power to keep its original promise of 10-12% in annual dividend raises.

Sure, another dividend hike probably isn't the best use of free cash right now, but a broken promise of a static or lower dividend hike probably would have disappointed investors and would have exacerbated the stock's negative trajectory.

The recently announced equity offering is a clear negative that will cause dilution; however, all the focus appears to be on the state of the dividend over the next few years. Enbridge's Investor Day is coming on December 12, 2017, so investors seeking further clarity on the company's future should stay tuned as more light is shed on the company's outlook.

Bottom line

Enbridge is a dividend-growth king that'll continue to reward shareholders who stick around through thick and thin. Some pundits aren't fans of Enbridge's strategic plan, but I think investors would be wise to ignore the noise and continue to load up on shares while they're cheap. Management certainly has the ability to keep investors happy while it gradually improves the health of its balance sheet.

Prudent investors would be wise to buy shares today with the intention of buying more on any further declines.

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Author

joefrenette

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