Enbridge Inc. Raises its Dividend 10%: Is it Time to Buy?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) saw its share price rise more than 2% last week, as the company announced it would be selling some of its non-core assets, and that it would be increasing its dividend yet again. Quarterly dividend payments of $0.61 will rise 10%, and in 2018 shareholders will be receiving $0.671 a share.

Strong history of growing dividends

Growing payouts is not something new for Enbridge, and it is what makes the stock such an attractive investment. Payments of $0.315 in 2013 have more than doubled in fewer than five years for a compounded annual growth rate of over 16%.

If Enbridge continues increasing payouts at that pace, then it will take 4.5 years for the dividend to double. The company did say that it expected to grow its dividend by 10% through until 2020, and that could go higher if oil prices continue to rise.

The stock has struggled, and year to date it has lost 14% of its value, which, combined with the rate hike, has resulted in a dividend yield of over 5.5%.

A high yield should not be a concern for investors

Investors might be concerned that the payout is getting too high, and that the yield is unsustainable, but with the company announcing that it will sell $3 billion in assets after identifying as much as $10 billion in non-core assets, that will certainly give it the flexibility it needs in its cash flow to ensure payouts are manageable.

However, Enbridge doesn't need to sell assets to meet its payouts. The company put out a strong Q3 recently; the company posted more than $1 billion to its bottom line — an impressive feat given the low price of oil. Enbridge could see those profits grow even more as the industry continues its recovery.

Prolonged OPEC cuts could mean a higher price of oil

We recently learned that both OPEC and non-OPEC producers are going to extend supply cuts until the end of next year, unless oil prices take off sooner than that. The price of oil has been climbing in the past several months, and if that trend continues, then we could see the profitability of Enbridge and other oil and gas companies improve significantly.

The oil and gas industry has taken a significant beating, and there is a lot of value that can be had for investors looking to cash in on a recovery.

Should you consider Enbridge?

Enbridge's stock is a great bargain, perhaps one of the best on the TSX, and yet another dividend-rate hike is just a reminder of one of the reasons it could be a great addition to your portfolio. The stock is coming off a new 52-week low last month, and with strong support at $50 for most of the year, there is good reason to expect the share price to continue to climb.

The shares currently trade at just 1.4 times book value and could make for a great value investment. Strong growth prospects and a rising dividend make Enbridge an appealing buy for many different types of investors. If you're looking to invest in oil and gas, then Enbridge is as good a stock as you'll find.

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