Enbridge Inc.: Don't Miss This Amazing Dividend!

Description

When looking at companies to invest in, it's important not to get hung up on the day-to-day of the market. Some days, Mr. Market is willing to pay more for your stock, and other days, Mr. Market will pay less. That's why it helps to look at other variables, such as the dividend and the yield when determining whether to invest.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is one of those stocks. Mr. Market has beaten this stock down for quite some time now. Over the past year, it has given up nearly 17% of its value, which naturally concerns investors. Not to mention that **Moody's Corporation** downgraded Enbridge to Baa3, which is just short of junk status.

Fortunately for you, investors' fears about Enbridge are overstated. This is a great opportunity to start picking up shares of a company that generates considerable revenue — one that should able to generate even more in the coming years. I'll explain why shortly.

But first, let's look at Q3 2017 numbers to get an idea of how strong Enbridge actually is. The company's adjusted EBIT in Q3 was $1.7 billion, up from $1 billion in Q3 2016. And its available cash flow from operations came in at $1.334 billion, up from $852 million. On a per share basis, it's a bit lower, but that's only because of the increased shares due to the Spectra acquisition.

However, this acquisition was incredibly important for Enbridge because it added much-needed gas transport assets to the books. By combining forces, the two companies were able to achieve some synergies and simultaneously complement each other.

The combined firm also holds incredible opportunities for growth. Specifically, there is now $30 billion in near-term capital projects. These include improvements to current lines and updates to maximize throughput. All told, Enbridge expects to see $22 billion in projects come online in the next few years. These will all contribute to revenue and cash flow.

At the same time, management has identified $10 billion in non-core assets that it plans to sell to help offset the $65 billion in debt on the books. In 2018, it'll sell $3 billion in assets, which will help Enbridge get its debt down.

But here's the thing: debt is only bad when it can't be paid back. And with oil prices increasing, the demand for pipeline is going to allow Enbridge to extract even more from the oil producers, which should boost cash flow and allow Enbridge to continue paying down its debts.

Another thing that increasing cash flow will allow for is increased dividends. In November, Enbridge increased the yield by 10%, continuing on its mission to pay more to its investors consistently. But with the current prices, investors are able to buy stock with a 5.7% yield.

My strategy here is a simple one. Namely, take all the dividends Enbridge pays and then reinvest them automatically using the DRIP that Enbridge provides. This comes with a 2% discount in the price per share, so you're going to accumulate a much stronger position over time.

There's no denying that Enbridge carries a lot of debt and has been hammered down for the better part of a year. However, the lucrative income and consistent dividend growth is too good to pass up. I'd be a buyer at these prices.

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