



This Top Dividend Growth Stock Is Now Absurdly Cheap

Description

Admittedly, I don't know what will prompt investors to start loving [Enbridge Inc. \(TSX:ENB\)\(NYSE:ENB\)](#) — a top dividend growth stock — again. However, I'm quite confident that the sell-off, which has dragged this largest pipeline operator in North America down by more than 20%, has gone too far.

My case for a bullish call on Enbridge is based on analysis that shows that the headwinds that caused this bearish spell are weakening. Here's why:

Rising interest rates

In an environment in which the central bank is expected to hike borrowing costs, energy infrastructure companies generally underperform the market. In Canada and the U.S., central banks are in [tightening mode](#). Indeed, Bank of Canada has hiked the benchmark interest rates three times since last summer. But indications are that the cycle of higher rates has probably run its course after some signs of weakness in the economy.

A report on the nation's gross domestic product released in February revealed that the economy is growing at an annualized pace of just 1.7% in the fourth quarter, which is much slower than the 2.5% pace that Bank of Canada predicted in January.

That means the economy is back in line with what the central bank considers its non-inflationary speed limit, thereby reducing the pressure on policy makers to lift borrowing costs. If that happens in the coming months, it'll definitely lift pressure off dividend stocks, including Enbridge.

Asset sale plans

Enbridge's high level of debt is another source of worry for investors, who think the company may ultimately have to cut its dividends to improve the quality of its balance sheet. With long-term debt of over \$60-billion, Enbridge might also find it tough to borrow more when it's pursuing \$22 billion growth projects in the short term.

But Enbridge is working to tackle this issue with a plan to sell as much as \$10 billion of its non-core assets in the next few years. I think that with the stock struggling to find its bottom, management may soon announce some deals that should calm investors.

I don't believe that this will be a problem for Enbridge, which has a portfolio of high-value assets, especially after its acquisition of Spectra Energy last year, which added high-quality oil and gas assets to the company's portfolio.

Is Enbridge stock a buy?

Trading at \$41.88 at the time of writing, Enbridge stock is now offering an annual dividend yield of 6.26%, which is more than double the company's average yield of the past five years. The stock's forward P/E multiple of 16.49 also demonstrates that Enbridge is offering great value. Thus, investors seeking regular growth in payouts should definitely seize this opportunity.

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