An Attractive 8% Yield for Every Income-Hungry Investor

Description

Typically, high dividend yields come with considerable risk. That was witnessed in Canada's energy patch when the prolonged slump in crude began in late 2014. The majority of Canada's energy companies slashed their dividends as weaker oil, heavily indebted balance sheets, and dwindling cash flow weighed on their ability to maintain their dividend payments.

Nonetheless, one energy stock that appears attractive with a dividend yielding almost 8% is **Enbridge Income Fund Holdings Inc.** (TSX:ENF).

Now what?

Enbridge Income Fund Holdings ranks as one of Canada's top energy infrastructure investments and owns a range of energy infrastructure assets that are operated by **Enbridge Inc.** The company generates 81% of its EBITDA from liquids pipelines with the remainder coming from its interests in 1,400 megawatts of renewable power assets and natural gas pipelines.

Enbridge Income Fund Holdings's ability to generate reliable and predictable cash returns from a portfolio of relatively low-risk energy infrastructure assets allows it to provide investors with a generous and sustainable dividend. The company pays a regular monthly dividend, which yields almost 8% — an attractive return for income-hungry investors.

It has rewarded loyal investors by hiking its distribution for the last seven years, and there is every sign that there will be further increases, because management is targeting 10% dividend growth. The dividend appears sustainable with a payout ratio of 96% for 2017. That ratio should fall to a more manageable level, as the volume of liquids grows because of rising demand for pipeline capacity from Canadian energy companies, as they move to take advantage of higher oil prices by expanding production.

Long-term forecasts by industry bodies predict that oil sands production alone will expand by at least 850,000 barrels daily between now and 2022. That figure could be even greater because of many oil sands producers moving to investment additional funds in their assets to boost production because of rising prices. This will drive even greater demand for the utilization of Enbridge Income Fund

Holdings's pipeline network, giving earnings and its bottom line a solid boost.

In fact, for 2018, the company forecast that average Mainline throughput will be almost 2.7 million barrels daily, which is 5% greater than 2017. Throughput on Enbridge Income Fund Holdings's Mainline will keep growing, particularly because the company is planning to expand pipeline capacity by 450,000 barrels daily by the end of 2019.

The stability of Enbridge Income Fund Holdings's earnings, and hence the sustainability of its dividend, is virtually guaranteed because ~99% of cash flows are underpinned by long-term commercial agreements. These factors, along with steep barriers to entry and the importance of Enbridge Income Fund Holdings's infrastructure to transport oil and natural gas, provides it with a wide economic moat. That means not only are its earnings, and hence dividends, dependable, but it has credible defensive characteristics that shield from the fallout associated with economic crises.

So what?

Enbridge Income Fund Holdings and its juicy yield make it a solid contender for any investors seeking to bolster the income produced by their portfolios. The payment of monthly dividend coupled with the high likelihood of further hikes boosts that attractiveness.

CATEGORY

1. Energy Stocks
2. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/08/22
Date Created
2018/05/08
Author
mattdsmith