An Oversold Canadian Dividend-Growth Stock to Stick in Your TFSA Stocking

Description

The holiday season is just around the corner, and investors are starting to search for dividend stocks to add to their TFSA portfolios for 2019.

Top-quality companies that pay growing dividends can be investing gifts that keep on giving for decades. When held inside a TFSA, income investors can pocket the full value of the distributions, and those who use the TFSA for retirement savings can reinvest the payouts in more shares. Over the course of a few decades, a modest initial sum can become a large nest egg.

Let's take a look at one Canadian industry leader that might be oversold right now.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge has had a rough ride in the past couple of years, but it looks like management finally got the message and is making the changes needed to turn things around and attract investors back to the stock.

What's the scoop?

The company spent $37 billion in 2017 to buy Spectra Energy in a deal that created North America's largest energy infrastructure company. Growth by consolidation is expected to continue in the sector amid the ongoing challenges companies face to get big pipelines built.

Over time, the Spectra purchase should prove to be beneficial for investors, but the market didn't like the impact on Enbridge's balance sheet at a time when debt costs were rising. As a result, Enbridge is shifting its strategy to focus on regulated businesses and is selling off non-core assets to the tune of $10 billion. In 2018, the company already found buyers for $7.5 billion in assets, well ahead of the $3 billion targeted for the year.

The cash is being used to strengthen the balance sheet and fund ongoing developments. Enbridge has a secured growth portfolio of $22 billion on the go and says it won't need to raise additional funds to get the projects built. As the new assets go into service, cash flow should increase enough to support ongoing dividend hikes of at least 10% per year through 2020. The current payout provides a yield of 6.1%.

The stock has already recovered from below $40 to $44 per share, but more upside should be on the way. Enbridge traded for $65 in 2015.

The pipeline giant has also taken important steps to streamline and simplify its business structure by acquiring the shares it didn’t already own in its subsidiaries referred to as sponsored vehicles. The companies are being brought under the big Enbridge umbrella, and that should result in greater retained cash flow.

Should you buy?

Bargain hunters are already moving back into the stock, but Enbridge still looks oversold. Investors who buy now can pick up an attractive yield with strong dividend growth on the horizon.

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