



TFSA Investors: Should You Buy Enbridge (TSX:ENB) for the Dividend?

Description

Enbridge Inc. ([TSX:ENB](#)) ([NYSE:ENB](#)) is often touted as one of the best dividend stocks on the TSX, and [with good reason](#). The company currently boasts a juicy 6.2% dividend yield, and over the past five years, Enbridge has raised its dividends by 110%. That amounts to an average annual increase of 22%. Enbridge's dividends are enticing, but how much longer can the Calgary-based energy company continue raising its dividend payouts? Should TFSA investors purchase shares of Enbridge?

Enbridge's guidance

A company's guidance is, of course, not a guarantee of anything. Corporations often fail to deliver on their promises. Still, these predictions can tell investors a lot about the company's goals and priorities. In the case of Enbridge, the company recently reaffirmed its intention to increase dividends by 10% in 2020, while keeping a long-term 5-7% dividend growth plan. That was after announcing a 10% dividend increase for this year. Dividend growth is clearly one of the company's goals, which should bode well for those looking for stable income for their TFSA.

Earnings and cash-flows

The ability to generate strong earnings and cashflows is an important aspect of dividend sustainability. In this department, Enbridge is outstanding. Enbridge's fourth-quarter adjusted earnings and cash flow provided by operations increased by 15% and 87%, respectively. Full-year results saw similar increases.

Enbridge's distributable cash flow (DCF) grew by 7% for the fourth quarter and 36% compared to the previous fiscal year. Enbridge's dividends account for less than 65% of the company's DCF, which means the company generates more than enough cash to cover and increase its dividend payouts.

Growth prospects

Can Enbridge maintain earnings and cash flows growth? One way to answer this question is to look at the company's projects, one of which is Enbridge's much-acclaimed NEXUS. This venture, which Enbridge shares with **DTE Energy**, consists in building more than 250 miles of pipeline in the heart of the U.S.' midwest region, all the way to some parts of Canada. Once fully operational, this pipeline will be capable of transporting enough natural gas to power over six million homes per year.

NEXUS isn't the only project Enbridge has in the works. The company's other project include the TEAL gas pipeline which runs across many U.S. states from Pennsylvania to Texas. This project will allow Enbridge to power more than five million homes per year.

Enbridge brought \$7 billion of new projects into service during 2018, including parts of the NEXUS and TEAL projects. The company expects to bring more of these projects into service in 2019. These ventures will have a strong impact on the company's top line.

Investor takeaway

Enbridge has all the ingredients of a top dividend growth stock investors can keep in their portfolios for years to come. The company generates strong earnings and cash flows and has several ongoing projects, which will help sustain earnings increases. TFSA investors would be wise to load up on shares of the Calgary-based energy company.

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