This Must-Own Dividend Stock Just Went on Sale … Again

Description

Enbridge (TSX:ENB)(NYSE:ENB) has been hit with yet another headwind. Investors in the dividend-growth superstar just can't seem to catch a break. It just finally seemed like it was just starting to catch a break when the rug once again got pulled out from under it. After weathering an oil price collapse, debt fears, and further oil sector pressure, does this latest development mean it is finally time to throw in the towel?

Absolutely not! If you have not yet bought shares in this Canadian income stock, the market has just handed you another gift. With a 5% discount to Friday's closing price and a dividend yield that has once again pushed above 6%, investors who have not yet acquired shares now have the opportunity to do so at a slightly reduced price.

Enbridge has been working to address each of the issues that are under its control. The foremost in most investors' minds is the substantial amount of debt that the company has on its balance sheet. Excessive debt is never good, but the fact is that Enbridge is committed to reducing this debt load. Enbridge has already made $7.8 billion in asset sales and is hoping to accelerate leverage reduction in the coming years.

All this debt repayment doesn't mean that growth is going to stop. Not too long ago, Enbridge re-acquired its cash cow Enbridge Income Fund. It also secured $1.8 billion in new capital projects that are in the pipeline, so to speak. The company also has the self-funded capacity to spend billions on its core liquids pipelines, gas pipelines, and gas utility businesses. The simplified structure, renewed focus on its core business, and non-core asset sales to aid in debt repayment will help Enbridge become a stronger company over the long run.

Just remember, if you are thinking about getting into Enbridge as a long-term dividend stock, the 6% yield that it is currently paying is only the tip of the iceberg. This company just raised its dividend by 10% and is forecasting that it will continue to do so at least next year once again. After 2020, distributable free cash flow is expected to slow down somewhat to a dividend-growth rate of 5-7%, but even that will result in some significant dividend growth.

While the future is never certain, the fact remains that Enbridge has been steadily paying and raising this dividend for decades and will more than likely continue to do so in the decades to come.

If you are panicking about the 6% one-day drop, you shouldn't be. Investors who got into Enbridge when it was below $40 a share are still up over 10%. In fact, it has had an excellent 2019, even with this one-day retreat in the share price. This pipeline delay is merely short-term news. When prices fall quickly, it can be scary to make the decision to buy. Buy the fact remains that it is only when times are scary that prices will fall and give you great opportunities to buy. Deals don't occur when everyone wants something.

If you do choose to acquire the shares, though, don't pour all your money into the stock at once. Ease in over time, gradually increasing your position if the price continues to fall. If the price goes up, enjoy the capital gains on the shares you own and collect the dividends for years to come.

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