



## Does Enbridge Inc. (TSX:ENB) Have a Reliable Enough Dividend to Satisfy Long-Term Income Investors?

### Description

The huge dividend is seen as the main attraction for shares of **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

Enbridge stock itself has been seen as dead money by growth investors due to the extensive amounts of baggage that the pipeline giant has ended up holding. With a near-term catalyst, the Line 3 Replacement (L3R), slated to be delayed, Enbridge shares have cooled off since garnering a fair bit of momentum since the depths reached in late 2018.

While an in-service L3R will undoubtedly provide relief to the financially challenged balance sheet of Enbridge (there's a lot of debt), many long-term income investors may be questioning whether the dividend will be safe after management's 10% per year dividend hike promise comes to an end in 2020. The company is slated to hike its dividend by 10% over the next two years, and that's a given, but what happens in 2021 and beyond?

I think the Enbridge's dividend is not only safe in the long term, but it could be [subject to a renewal](#) that could see another three years of 10% annual dividend hikes past 2021.

While the company is slated to focus more attention and funds to longer-term growth projects in the 2020s, one can't help but notice management's incredible devotion to shareholders as one of the most shareholder-friendly companies in Canada, especially in the last few years of turmoil. Simply put, management is so shareholder friendly, they're actually quite stubborn, and that's been offputting to some pundits who believe Enbridge is hiking its dividend despite not having earned the additional financial capacity to do so.

It seems like a dividend cut is the last resort for Enbridge and that management would rather go to hell and back to keep its dividend on the upward trajectory, even if a slight reduction to the dividend would stand to make the lives of management a tad easier.

Raising more debt is never desired, but I think management is right to continue to stand in the corner of its shareholders, whether it be through the elimination of the DRIP program or the focus on keeping

that dividend well supported. You see, Enbridge is very much at the mercy of externalities, whether it be the conditions in Alberta's oil patch or the decision of government regulators who've been taking their sweet time in reviewing project proposals.

The way I see it, Enbridge is running a race with huge rewards at the finish line. While there are fairly large hurdles that still lie ahead, with the occasional stumble to be expected, I ultimately believe that Enbridge will make it to the finish line well ahead of the pack.

The demand for transportation capacity will likely only continue to swell from here, and that means massive, [stable cash flow streams](#) will eventually come online. Delays, resistance, rejections, and all the sort are going to happen along the way, but if you've got a long-term perspective, these regulatory hurdles, once passed, will act as a moat around Enbridge's new cash flow-generating pipelines.

With regards to the dividend, Enbridge's management team knows that brighter times lie ahead and that the near-term stumbles like the L3R delay won't jeopardize the company's long-term goal of reaching its finish line.

Last quarter the company announced \$1.8 billion in capital growth projects (the Gray Oak pipeline), so you can be sure that the pipeline of projects will be full enough to support growth, as management balances its ever-growing dividend.

Enbridge is a buy here and now. The dividend isn't just safe; it's likely going to grow at a 10% annual rate for much longer than the skeptics anticipate given the near-term pressures and the limited financial flexibility.

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