



Dividend Investors: Snap Up a 6% Yield With Enbridge Inc (TSX:ENB)

Description

Have you ever wished that you could gobble up a ton of dividend income from a stock that also has tons of upside?

Traditionally, these two objectives have been at odds with each other. Although dividend stocks can do well in the markets, generally the huge yielders (like banks and REITs) aren't the biggest gainers. Of course, there are exceptions to this rule. **Costco Wholesale** rose 113% over the past five years, while paying a dividend along the way. However, that stock's yield is fairly low, and its price is fairly high relative to earnings.

There's no two ways about it: if you want big dividends and growth in one package, you'll have to do a lot of searching. However, you might save yourself some time by beginning your search in the TSX energy sector. This sector as a whole has been beaten down thanks to persistently low oil prices, but is now beginning to turn around thanks to the rising price of Canadian Crude.

One potentially strong dividend growth stock in the energy sector is none other than **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)).

Why Enbridge is so promising

Enbridge is a stock with a lot going for it. On the news front, there's the fact that the company's line 3 replacement will add [375,000 new barrels per day](#) of production capacity. On the financial front, the GAAP earnings were up 300% from the same quarter a year before—although the company will be the first to tell you that that was because of unusual, non-recurring factors. And finally, on the income front, this ultra-dependable stock is presently yielding 6.1%.

Income potential

In and of itself, a high dividend yield doesn't mean much. Very often, insanely high yields like 10% are unsustainable, and likely to be cut. However, in Enbridge's case, the company has the financials to

back up the payout.

Although the stock's [payout ratio](#) is on the high end, earnings are growing steadily year after year. And while that 300% GAAP earnings growth figure takes a number of non-recurring and non-operating items into account, adjusted earnings were also up quite a bit, at \$1.16 billion (a 15% gain over the year before). That's solid enough growth to keep the dividends coming well into the future.

Foolish takeaway

Over the past 12 months, Enbridge has rewarded investors handsomely, rising 25% in the markets while paying a dividend whose average yield hovered around 6%. That's a combined return of over 30%. What's even better is that this stock could keep on trucking for the foreseeable future. As mentioned, the company recently increased its production capacity with its line III extension. Beyond that, it has excellent financials and is positioned to benefit from increased activity in the energy sector. If you're looking to buy just one high dividend stock, Enbridge would be a great candidate.

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Author

andrewbutton

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