Should You Own Enbridge (TSX:ENB) Stock for the 6% Dividend Yield?

Description

Dividend investors are searching for top-quality companies that pay above-average and growing distributions.

The TSX Index is full of great stocks with long track records of giving investors a raise every year, and while the rally in the market to start 2019 has wiped out many of the deals and subsequently lowered yields, there are still some names worth considering today for your dividend fund.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) to see if it deserves to be on your buy list right now.

Earnings

Enbridge finished up 2018 with positive results. The company reported adjusted earnings of $1.17 billion, or $0.65 per share, for the fourth quarter compared to $1.01 billion, or $0.61 per share, for the same period in 2017. Full-year 2018 adjusted earnings came in at $4.57 billion, or $2.65 per share versus $1.96 per share the previous year.

Dividends

When the Q4 2018 report came out in February, Enbridge confirmed its guidance for 2019 and 2020. distributable cash flow (DCF) is expected to be $4.45-5.00 per share. The company raised the dividend by 10% for this year and intends to hike the payout by the same amount in 2020.

After that, DCF in expected to average 5-7% per year, so investors should see ongoing dividend increases in that range. At the time of writing, the stock trades at $49 per share and provides a 6% dividend yield.

Growth

The company is working on $16 billion in secured projects that are scheduled to go into service over the next four years. The largest development is the company's Line 3 Replacement Project. Minnesota recently indicated the required state permits will be provided by November 2019.

Turnaround progress

Enbridge simplified its corporate structure last year by acquiring the shares it didn't already own of four subsidiaries.

Bringing all the assets under one umbrella helps the market evaluate the stock and results in a higher retention of cash that is generated from the businesses. Beyond 2020, the move should result in tax-optimization synergies.

Enbridge had come under pressure in recent years due to concerns over its balance sheet. A strategic review undertaken by management in 2017 identified up to $10 billion in non-core assets that could be monetized. Enbridge had anticipated selling $3 billion in 2018 but actually found buyers for $7.8 billion of that target.

Th proceeds are being used to reduce debt and fund the ongoing development projects. The company's credit rating received an upgrade in January, so the impact is already being felt.

Enbridge can now self fund its capital requirements and no longer needs to issue stock to support the growth program.

Should you buy?

Enbridge has its house in order, and investors are returning to the stock. The shares are not as cheap as they were at the low last year but still appear to be reasonably priced, and you get a solid 6% return with steady dividend growth expected in the coming years.

If you are searching for a high-yield dividend stock to buy today, Enbridge deserves to be on your radar.

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