



3 Reasons Why I Won't Sell Enbridge Inc. (TSX:ENB)

Description

There are a few core stocks that every Canadian investor should have in their portfolio. I have a preference for dividends, and there are few dividend stocks better than **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)). While this stock does have some risks, there are at least three reasons why you should add this company to your dividend portfolio.

It's still under pressure

Even though it has come back significantly, the company has still not returned to its highs. This is partly due to oil prices, which are lingering around the \$60 level. Although Enbridge does not produce oil, it does operate in the energy sector, which does leave it somewhat at the mercy of commodity prices.

It also still has a large amount of debt on its balance sheet, which makes many people nervous. Fortunately, the company is making asset sales that have reduced its debt load significantly over the past year. Enbridge also slowed its outlook for dividend raises, freeing up more cash to be set aside for debt repayment.

The company achieved a debt to EBITDA metric of 4.7 times, putting its debt levels well within Enbridge's stated 4.5 to 5.0 debt to EBITDA target range.

It has a great, diversified business

Enbridge has a number of excellent, cash-flowing businesses that operate in a variety of spaces. Its pipeline business includes miles of tubing through which it moves liquid natural gas and oil across Canada and the United States. Enbridge's regulated utility business provides gas to thousands of Canadians across the country, and it also has a small renewable energy portfolio of solar and wind power.

Enbridge's businesses have led to steady results over the years that have powered the stock price and the dividend higher. In the first quarter of 2019, earnings per share increased from \$0.26 a share to \$0.94 a share. Although some of that increase is due to one-time factors, much of it was the result of

operational improvements.

Enbridge has an amazing dividend

The current dividend of around 6% is fantastic enough, but when you factor in the double-digit increases that have been added to the yield over the past several years, the income generation coming from the Enbridge dividend is quite astounding. The dividend is set to increase by another 10% next year, although it's expected to slow down thereafter as distributable cash flow (DCF) is expected to decrease to the 4-5% range.

Even at that level, its dividend will grow at a pretty good clip over the next several years. In the first quarter of 2019, distributable cash flow increased by 19% year over year. As growth continues, the dividend should grow along with it.

Hold this stock for the long run

Enbridge has does have more debt than I generally like to see on its balance sheet and the future of the oil patch is uncertain. But its strong, largely contracted businesses more than make up for any uncertainties. Enbridge is one of those companies that you can lock away for years, forget about, and [collect the dividends](#). This is a must-own Canadian stock.

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