



It's Time to Buy Enbridge (TSX:ENB)

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) has come down, and it's time for income investors to start building their positions. This dividend giant has retreated once again with declining oil prices and general market malaise creating a buying opportunity for long-term investors. This cash flow-rich company should be a core holding for Canadian investors. In this article, you will see that now is the time to start adding this company to your dividend portfolio.

Enbridge provides capital returns

Let's face it; you are not going to buy Enbridge for massive, exciting capital gains. This is a mature company that should not be compared to the high-flying capital gain rock stars that you might see in the tech sector. It is a boring, stable company, but at this stage in the investing game, boring is good.

That is not to say that it does not provide capital gains. In fact, long-term investors have been generously rewarded for holding Enbridge over the years. If you had bought Enbridge back in the early 90s and held the stock for the past 30 years or so, you would have experienced [capital gains](#) of over 1,000%. Even with the consolidation happening in recent years, this would have been a fantastic nest egg for your retirement.

Enbridge diversifies your portfolio

This company is huge, with a market capitalization that is almost \$100 billion. Enbridge's size is due to the fact that the company has grown substantially over the years, with multiple businesses under the organization's umbrella. While it is known as an oil and gas pipeline to many investors, the average Canadian is most likely familiar with its commercial and residential utility business. This regulated aspect of its business provides stability to its earnings and clear visibility for dividend growth and capital expenditures.

Enbridge is also geographically diversified. It has businesses that extend all over Canada and the United States and has renewable wind turbine businesses in Europe. These businesses help to diversify its revenue stream and stabilize its earnings.

The dividend is fantastic

Enbridge is one of Canada's best dividend-growth stories. This is the main reason that many people invest in this company. With the very real possibility that rates may fall once again in the near future, Canadian investors need to prepare their portfolios to get income from stocks instead of traditionally safe bonds and GICs.

Unfortunately, many of Canada's utility and telecom companies have risen significantly over the past few months in anticipation of a falling rate trend. This leaves Enbridge as one of the few companies that provide a great dividend for income investors.

Enbridge's current yield as of this writing [sits at around 6.5%](#), about three times the yield on a five-year GIC. That yield has grown by about 10% each year over the past couple of years and is set to grow by around 5% in the near future.

Earlier, I mentioned the incredible capital appreciation Enbridge has experienced over the decades. Well, that does not even include the dividends it has provided over those same years. Just think, even if the stock goes nowhere and the dividend stays the same, reinvesting the dividends at 6.5% will allow you to recoup all your capital in just over 10 years! That's pretty impressive.

The downside

No investment is perfect, and Enbridge is no exception. The company has a mountain of debt that makes its balance sheet relatively brittle. The good news is that Enbridge is committed to debt reduction through asset sales and debt repayment, so it is actively reducing its leverage. This debt-reduction strategy combined with its steady cash flow should make this a fairly safe investment over the years.

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