



Expect This 6.2% Dividend to Get Even Better

Description

One of the best things about being a [dividend-growth investor](#) is when one of your underlying holdings increases its payout.

I know dividends aren't free money, but what the anti-dividend crowd — yes, they exist, and they're horrible, at least in this writer's opinion — miss is the psychological impact of a steady stream of dividends hitting your account. There's nothing better, except maybe a good bacon cheeseburger.

One of Canada's best dividend-growth stocks is poised to deliver a solid dividend increase to shareholders as soon as this week. If you don't own the stock, now would be a terrific time to get in.

Let's take a closer look.

The week ahead

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is scheduled to release its third-quarter results on Friday, November 8.

13 analysts currently cover the stock, and their quarterly results estimates vary wildly. The most bullish analyst thinks the company will earn \$0.68 per share, while the most bearish one estimates earnings will check in at \$0.40 per share for the quarter.

Investors should remember the market will care more about Enbridge's adjusted earnings as well as its outlook. Traditional earnings-per-share numbers don't matter as much because the company has huge non-cash depreciation and amortization costs. These impact earnings but don't affect cash flow.

The big thing investors need to look for is whether Enbridge announces a dividend increase this week. If results are good, now would be a terrific time to increase the payout. And if earnings are a little disappointing, management might try to make investors feel a little better by making a dividend increase official.

Or perhaps the increase could come in December, like it did last year. Enbridge treated investors to a 10% dividend increase back on December 11, 2018.

Remember, the company has already told investors to expect another 10% increase in 2020. That would increase the current \$0.738 per share quarterly dividend to \$0.812 and increase the current yield from 6.2% to just over 6.8%.

To put that into perspective, \$50,000 invested in Enbridge today would generate approximately \$3,100 in annual passive income. That would increase to just over \$3,400 after the expected 10% dividend increase.

The long term

Enbridge has told investors to expect a little less from its dividend-growth program over the long term, estimating it'll increase the dividend between 5% and 7% annually after 2020's expected 10% raise.

I'm a big fan of Enbridge [over the next couple decades](#). Yes, many Canadians don't want additional pipelines. This makes Enbridge's existing assets all the more valuable. And it still has plenty of potential to add additional infrastructure in areas that are friendlier to energy.

Investors also forget that oil pipelines only account for approximately 50% of Enbridge's bottom line. There are ample opportunities to expand both its natural gas pipeline and its utilities businesses. It already has more than \$10 billion worth of growth projects planned in 2020 and beyond, and that doesn't even include some proposed expansions on some of its main lines.

The bottom line

Whether it's announced with third-quarter earnings or later on in December, Enbridge looks poised to increase its dividend by 10% for 2020. This would give investors who get in today a 6.8% yield on cost — an excellent payout. Investors can then expect annual raises far exceeding inflation as the company continues to grow.

It's a great time to get in. What are you waiting for, dividend investors who don't already own the stock?

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nelsonpsmith

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