



Dividend Yield Alert: Enbridge (TSX:ENB) Just Increased Dividends by 10%

Description

A dividend champion is not necessarily a stock that pays a high dividend. Dividend investors would instead measure a great dividend stock by its [consistency to increase the dividend payouts](#). Canada's pipeline giant **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is but one example.

Enbridge has been paying dividends for more than 64 years already. Over the last 20 years, the company's dividends grew at a compound annual growth rate (CAGR) of 12.1%.

Investors should be happy that the board of directors of Enbridge recently authorized the hiking of quarterly dividend for 2020.

Effective March 1, 2020, stockholders on record as of February 14, 2020, shall be paid 81 cents inclusive of the nearly 10% dividend increase. The raise translates to a 6.3% yield.

Medium to long-term growth opportunities

The latest move by the leading midstream energy infrastructure provider is a sign of the company's commitment to creating value for its shareholders. Next year would be 25 consecutive years of dividend increase by Enbridge.

But can it afford to raise dividends?

Al Monaco, Enbridge's CEO, expects EBITDA to be around \$13.7 billion. Similarly, the distributable cash flow (DCF) per share estimate for 2020 is about \$4.50 to \$4.80. After 2020, the company expects DCF per share to increase by 5 to 7% per annum.

As the Line 3 Replacement Project is about to commence service, Enbridge can count on this segment to support the dividend hike. Enbridge is strengthening overall businesses by disposing non-core assets and adding profitable growth projects.

Moreover, the company is avoiding external equity to fund growth projects. Rather, it is moving to an

entirely self-funded financing program.

The emphasis in the near term will be on capital-efficient in-franchise growth as well as executing the secured capital projects. The latest one is a possible partnership with North American midstream player for the development of the deep-water Sea Port Oil Terminal export facility in the U.S. Gulf Coast.

Monaco said, “Over the medium to longer term, Enbridge’s diversified asset base, integrated infrastructure networks, and extensive reach provide us with many opportunities to extend growth.”

Notably, it recently signed a letter of intent with Enterprise Products Partners L.P. EPD, another North American midstream player, to develop the deep-water Sea Port Oil Terminal export facility in the U.S. Gulf Coast.

First buy in 2020

Enbridge is a dividend champion for three reasons. First, the energy stock’s dividend history of 64 years is reliable and remarkable. Second, its robust capital program and upcoming projects should fuel cash flow growth, which in turn would drive dividend growth.

Third, Enbridge has a healthy payout ratio. The company is aiming to keep the payout ratio at no more than 65% of DCF in the long term. The retained capital shall be for investment into growth projects.

Enbridge is trading at \$51.89, with gains of 30% so far in 2019 as it heads into the New Year. Analysts covering the stock are forecasting the price to climb by about 25% in the next 12 months.

With the coming dividend increase in March 2020 plus the potential capital gain, Enbridge should be [an excellent first-buy in 2020](#).

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