Enbridge (TSX:ENB) Stock: Still Super Attractive for Passive Income!

Description

Enbridge (TSX:ENB)(NYSE:ENB) stock has been on a remarkable rally. Since the dividend stock bottomed at about $35 per share in 2018, it has appreciated 50%. However, the Dividend Aristocrat is still super attractive for passive income.

Enbridge stock offers exceptional income

Despite the tremendous rally, at writing, Enbridge still offers a 6.1% yield. This is distinguished dividend income that is very compelling in today's low interest rate environment.

The Government of Canada's five-year bond yield is only about 1.6%. Therefore, ENB stock offers passive income that's 3.8 times that.

Since 2018, Enbridge has increased its dividend by 21%, including the nearly 10% dividend raise that begins this quarter, has an ex-dividend date of February 13, and will be paid out on March 1.

Consequently, income investors and retirees have plenty of time to pick up the proven dividend stock.

Enbridge has well-balanced EBITDA contribution from its oil and gas pipelines that together make up roughly 95% of its EBITDA generation.

Investors can be assured that this highly predictable cash flow generation coming from largely investment-grade customers will keep ENB stock's dividend going.

The dividend stock will grow

Although Enbridge stock has "only" increased its dividend for 24 consecutive years, it has actually paid dividends for more than 64 years. In fact, investors can view the quality stock as a stable utility that will steadily grow, leading to dividend growth and ultimately, price appreciation.

After integrating the stupendous Spectra Energy acquisition, selling non-core assets, and simplifying its corporate structure, the leading North American energy infrastructure company is left with a leaner business with outstanding oil and gas pipelines, and a solid gas utility, which serves 3.7 million customers, in the stable geographies of Ontario and Quebec.

A simplified structure permits the company to more easily improve efficiency.

Below its target payout ratio of 65%, Enbridge's recent payout ratio was reasonable at about 62% of distributable cash flow (DCF), on a per-share basis, giving the company sufficient capital to sustain and grow the business.

Going forward, the business estimates to grow its DCF per share by 5-7% annually with a healthy debt-to-EBITDA ratio of 4.5 to five. Therefore, investors can also expect Enbridge to increase its dividend payout by roughly 5-7% per year.

If you make a purchase of ENB stock today with an initial dividend yield of 6.1%, assuming a conservative 6% dividend growth rate, your investment will grow its yield on cost to more than 8% in five years and more than 10% in nine years!

To illustrate this better, if you start with earning $500 from the stock this year, you would earn $669 in five years and $895 in a decade.

Investor takeaway

In summary, Enbridge stock is an excellent passive income vehicle. It offers a juicy dividend yield of 6.1% for starters and is likely to increase it by about 6% per year going forward.

Notably, this roughly triples the current inflation rate. Accordingly, investors can maintain their purchasing power with flying colours.

Enbridge is especially suitable for income, retired, or conservative investors. It's a good buy for income today, and if it dips to the $47-per-share level over the next 12 months, it'd be a super value buy!

Don't just stop at one good stock. Check out these other super attractive dividend stocks for passive income.

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