



Enbridge (TSX:ENB): What \$10,000 in This Dividend Stock Can Do in 5 Years

Description

You can rely on **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock for passive income. It has been paying dividends for more than 60 years and has an [incredible dividend-growth](#) track record history to prove it.

Currently, ENB stock offers a rich dividend yield of 5.9%. If you're happy with that, you would be even happier if you'd bought the stock earlier.

A \$10,000 Enbridge stock investment five years ago...

\$10,000 invested in Enbridge from just five years ago would be worth only about \$11,000 today, delivering annualized returns of only 2%. Notably, since 2015, Enbridge stock has increased its dividend by 74%, or roughly 11.7% per year.

Specifically, the stock was trading at a high valuation of about 19 times cash flow at the start of the period versus 11.7 times cash flow at the time of writing.

A new \$10,000 in Enbridge stock can do much better in the next five years

The Enbridge stock price is much more attractive than it was five years ago. Accordingly, management expects distributable cash flow per share to grow about 5-7% per year.

This means that the leading North American energy infrastructure company is a decent investment today for stable growth. Essentially, it is now a more mature company that still churns out lots of cash and pays out generous dividends.

In 2019, it generated \$9.2 billion of distributable cash flow, up 21% year over year. Though, on a per-share basis, it was an increase of only 3.4%. It also saw adjusted EBITDA growth of 3.3% to \$13.3 billion.

With about \$7 billion of projects, including the Canada portion of the Line 3 Replacement project, a 609 MW offshore wind project in Germany, and the Gray Oak Pipeline, which were put into service in Q4 2019, the company should see meaningful cash distribution growth in 2020.

Enbridge's payout ratio is estimated to be about 68% this year. Combining its juicy yield of 5.9%, a good valuation, and distributable cash flow per share growth of about 5-7% per year, a \$10,000 investment today can grow to about \$17,600 in five years for annualized returns of close to 12%.

In five years, the yield on cost can reach 7.8%, which would then deliver market returns from the dividend alone, based on the cost investors pay today. Not to mention that price appreciation will come as well, as long as the company is growing.

To be clear, a \$10,000 investment in Enbridge stock today would buy 180 shares at \$55.41 per share, which generates passive dividend income of \$583 and change.

In five years, 180 shares can generate dividend income of about \$780 and change, or churn out 34% higher in income without you having to lift a finger.

Is Enbridge stock a good buy now?

Enbridge stock is about fairly valued. Analysts have a 12-month price target of \$57.40 per share on the stock. However, the stock is an attractive income investment. Where else can you find a yield of close to 6% that's growing at a rate of about 6%?

Investor takeaway

If you're looking for [passive income](#), Enbridge should be at the top of your buy list. It's an industry leader that offers a sustainably high yield of close to 6%. Additionally, it trades at a fair valuation and offers stable growth of about 6% that will also lead to similarly stable growth in the dividend.

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