1 Income Stock That You Have to Own

Description

For several years, I have been pounding the table to buy **Enbridge** (TSX:ENB)(NYSE:ENB). It has been an obvious buy for the past several years, with its better-than-5% yield sometimes swelling to almost 8% when the stock hit its lows a few years ago. It seems only fitting to re-examine this Canadian dividend grower after its excellent run over the past year. The conclusion is still the same. It is a buy today.

Enbridge is somewhat unique in that it remains a buy after so many other blue-chip utilities have risen to the point where they have become moderate sells. There are a number of reasons for its relatively depressed price from its fairly high debt load to the fact that it operates in the much-hated oil sector.

In spite of the aversion to oil companies, Enbridge remains an enticing stock to own. Its high initial yield, dividend growth, and business positioning make it one of the few stocks worth buying today for any income-focused investor.

Enbridge has a yield that is quite high for a relatively stable utility stock. Where most other companies have seen their yields shrink far below 5%, Enbridge still has a yield that is almost 6%. This yield is high in spite of the fact that the stock price has increased significantly over the past year. In fact, this stock is pushing upwards to the point where it could soon overtake its all-time high.

The high yield is the product of a depressed stock price, to be certain, but is also due to the fact that Enbridge has raised its dividend significantly over the past several years. The dividend has been raised on the order of 10-15% over the past several years and is expected to be increased by around 5% going forward.

This company can support that dividend quite confidently given its predictable cash flows. Last year’s results prove that it can continue to deliver dividend growth, with distributable cash flow growing from $1 863 million in Q4 2018 to $2 051 in the same quarter of 2019.

Debt has been the main concern facing this company, but that is being tempered over time. Between asset sales and cash flows being put towards debt repayments, Enbridge is expecting to lower its debt significantly over time. Just this past year, the company closed $1.7 billion in midstream asset sales to put a dent in its debt load.

The positive news regarding pipeline approval also sets the stage for higher cash flow in the future, which will be put towards debt repayment and dividend growth. The Line 3 approval has been coming along rapidly, making its ultimate completion a very likely reality. These developments should continue to benefit the company in the future.

Another aspect of the company that is positive is that Enbridge is considered to be an ESG investment. Its renewable wind energy and natural gas projects and partnerships are setting it up to be a positive energy investment for the future. This sets it apart from other traditional pipeline companies.

The bottom line

Enbridge is a solid investment, even at these levels. Although the stock has risen significantly recently, there is still an opportunity for long-term investors looking for significant returns over time. The better-than-5% yield and future growth is more than an incentive to get into this stock today.

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