



Dividend Investors: Will Enbridge (TSX:ENB) Suspend its Payouts?

Description

If you're a dividend investor, especially with holdings in oil and gas, you're probably a little nervous about whether or not your stocks could be next to cut or suspend its dividend. Low oil prices combined with the coronavirus pandemic have sent many stocks in the industry into a tailspin. Many dividend stocks have been cut or suspended — one of the latest being **Inter Pipeline**, [which shouldn't come as much of a surprise to investors](#).

With a high yield and a poor outlook for the industry, it was likely an unavoidable decision for the company. Conserving cash is more important than ever before. Is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) the next to suspend or cut its dividend?

Why the company may consider adjusting its dividend policy

Currently, Enbridge pays investors a quarterly dividend of \$0.81. On an annual basis, that yields more than 8% per year. Enbridge's dividend has normally been over 5%, and so it's normally been a high-paying dividend stock. But at over 8%, it's glaring. It's going to attract a lot of attention from investors the longer the industry struggles.

In 2019, Enbridge paid out \$6.4 billion in dividends during the year. That's well above the \$3.7 billion that it had in free cash flow. And the problem is that in 2020, demand for oil likely going to be significantly lower. That means there may be an even greater delta this year between free cash and dividend payments. That's a concern for Enbridge investors, as it pushes more pressure on the possibility that a dividend cut may be inevitable. And especially given that the dividend is as high as it is, it wouldn't be unreasonable to reduce it and allow investors to still earn a more modest dividend yield.

Why Enbridge may hold off in doing so

When Enbridge announced it was increasing its dividend payments in December, it marked the 25th year in a row that the company hiked its dividend payments. The 25-year mark is especially significant

to dividend investors, as that's when stocks are considered to be Dividend Aristocrats. It would be disappointing for the company to have just reached that milestone and only months later have to suspend or reduce the dividend.

It's not a great reason to decide to keep the dividend intact. However, it's conceivable that it may play a role in the company's decision-making process.

Bottom line

In the short term, Enbridge may keep its dividend if only to see how bad things get in the coming months. If there's no improvement and no reason to be optimistic, it may only be a matter of time before the company decides to cut or suspend its payouts. It would be risky for investors to rely on this dividend given the challenges Enbridge faces today.

The good news is that Enbridge is still a solid long-term investment. Even if it does reduce or suspend its dividend payments, it may not be for the long term. But given the risk that exists in the industry today, dividend investors may be better off looking for more [stable](#) investments where commodity prices won't heavily impact their investments or dividend income.

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