This 8% TSX Dividend Stock Is a No-Brainer Buy

Description

A lot of **TSX** dividend stocks look very attractive right now. However, the general rule of thumb is that the higher the dividend, the higher the risk generally.

Sometimes, however, you can find a diamond in the rough. An ideal business would be a company that's been oversold due to some fear, but that offers significant rewards well in excess of the small amount of risk.

One of those stocks today is the massive blue-chip dividend stock **Enbridge Inc** (TSX:ENB)(NYSE:ENB).

A resilient business model

First off, Enbridge is an essential business because the economy relies on it. The company has multiple businesses that give it plenty of diversification.

Its oil and gas pipelines run all across North America, giving it significant geographic diversification as well. The pipelines carry 25% of North America's crude oil and 20% of the natural gas consumed daily in the U.S.

This makes these businesses extremely significant to our economy, and therefore highly resilient.

Enbridge is a top long-term investment, operating as an $80 billion blue-chip company in an industry with extremely high barriers to entry.

This gives it a significant competitive advantage and makes it even more robust. The resilience of its business is one of the main reasons why it's a top TSX dividend stock.

One of the most reliable TSX dividend stocks

Another reason it's a top TSX dividend stock is because it's so reliable. This is a direct result of its strong operations. The company has a tonne of stable cash flow coming in.

Plus, on top of its crucial pipeline assets, it also owns a gas utility business in Ontario, with roughly 3.5 million customers.

Management has even pointed to Enbridge's strong track record of growth. During the last recession 2008 and 2009, Enbridge was able to continue to grow its business. Furthermore, Enbridge even grew its business through 2015 and 2016, when oil prices collapsed.

All this reliable cash flow is what underpins the dividend and makes it so stable.

In 2019, Enbridge's dividend had a payout ratio of roughly 65% of its adjusted funds from operations (AFFO).

The dividend's been increased already this year. However, even at the new rate, the payout ratio likely won't exceed more than 80% of its AFFO this year.

A growing TSX dividend stock

The growth brings us to the next point of why Enbridge is so attractive. Not only are its operations stable and reliable, but the company is also consistently growing its distributable cash flow.

This allows the business to retain what it needs for maintenance and growth expansion and use the rest to continue to increase the dividend.

Enbridge's history of dividend increases makes it one of the top stocks on the Canadian Dividend Aristocrats list. In just the last five years it's increased the dividend by nearly 75%. That's a compounded annual growth rate of more than 11.5%.

As of Thursday's close, Enbridge was trading just over $40.50, and offering investors an 8% dividend.

This is an incredible value, and when you think an 8% dividend today will continue to grow each year into the future, the investment seems like a no-brainer today.

Bottom line

There are still quite a few TSX dividend stocks that yield 8% or more. However, Enbridge is by far the safest and most resilient, making it a top long-term investment today.

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