Is This 8%-Yielding Dividend Stock the Best Buy Right Now?

Description

Are you looking for a top dividend stock that pays a high yield and that's got a great track record for increasing its payouts? Then you may want to take a close look at **Enbridge** (TSX:ENB)(NYSE:ENB). The pipeline company has seen its share price plummet more than 20% this year, as a poor outlook for the oil and gas industry has investors down on the sector.

However, Enbridge is still performing well and is coming off a strong second quarter. The company released its most recent results on July 29 and for Q2 it reported adjusted earnings of $1.1 billion, down 16% year over year. However, cash from operating activities was relatively stable at $2.4 billion, declining a little more than 3% from the prior-year period. And distributable cash flow of $2.4 billion was up 5.5% from a year ago.

The company also stated in its earnings release that it has "executed several actions to enable $300 million of cost reduction in 2020."

Those are all good signs for dividend investors, coupled with the fact that Enbridge has kept its dividend payments intact while many other oil and gas companies have cut or suspended their payouts this year.

Enbridge currently pays its shareholders a quarterly dividend of $0.81, which yields 8% annually. A high yield isn't unusual for Enbridge, as for the past couple of years, it's been paying around 6% or higher. But this recent spike up to 8% is definitely a recent high for the stock, and it could be a rare opportunity for investors to grab such a great yield.

Rate hikes are the norm for Enbridge

On December 10, 2019, Enbridge announced that it was increasing its dividend payments by 9.8% from $0.738 to $0.81. It was the 25th year in a row that the company's raised its payouts. During that time, Enbridge has increased its dividend payments by an average of 11% every year.

A Dividend Aristocrat, Enbridge has solidified a strong track record of dividend growth, and unless something goes catastrophic, where the company has no choice but to suspend its dividends, investors could continue to see their dividend payments rise.

However, given the uncertainty surrounding COVID-19 and the possibility that there could be further shutdowns in the future, investors will still want to keep a close eye on the stock. For now, Enbridge stock looks to be one of the safer investments in the oil and gas industry right now, especially with a dividend paying as high as 8%.

And with the stock trading at a forward price-to-earnings multiple of 15, this could prove to be a cheap buy if the economy continues its recovery and demand for oil rises. Earlier this year, shares of Enbridge were trading as high as $57 per share.

Bottom line

This isn't a risk-free investment by any means, but if you're a contrarian investor or are willing to take a chance on the energy industry, Enridge is one of the better stocks you can buy in that sector today. With a strong dividend and a business that's still proven to be resilient amid COVID-19, this could be an underrated buy that could pay off handsomely in a few years.

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