Is Enbridge (TSX:ENB) Stock a Screaming Buy for the 8% Yield?

Description

Enbridge (TSX:ENB)(NYSE:ENB) stock has one of the most compelling dividend yields on the TSX right now. At just over 8%, Enbridge's dividend stands tall, and unlike most other firms with yields over 8%, the dividend is on some pretty stable footing.

You see, Enbridge has one of the most shareholder-friendly management teams out there. You could argue that they're too friendly for their own good, having swum to great lengths, with non-core assets sales and all the sort, to keep its dividend intact through years of headwinds and stumbles over regulatory hurdles.

Following a massive November for the recovery plays and some progress with its Line 3 Replacement (L3R) project, Enbridge now seems like a far less risky proposition, given medium-term catalysts that are capable of providing the firm with much-needed relief. Today, Enbridge's balance sheet looks robust, and the dividend looks likely to make it through this pandemic in one piece.

A dividend hike in the midst of a crisis?

More recently, Enbridge announced a modest 3% hike to its quarterly dividend. The move is a massive vote of confidence from management in the firm's future, and investors should look to scale into a position if they haven't yet done so before the stock has a chance to correct to the upside in a year that's likely to profoundly reward the battered COVID recovery plays.

Things may finally be looking up for Enbridge stock

Fellow Fool contributor Karen Thomas is bullish on Enbridge's 2021 recovery prospects, highlighting the possibility of a correction to the upside:

“In 2021, investors will see the immediate effects of higher oil prices, which serves to remind us of Enbridge’s resilient business model. We’ll also be reminded of the company’s diversified asset base. Enbridge will be a provider of our energy needs for decades to come. Our energy may increasingly be derived from sources other than oil. Enbridge will transition with us,” Thomas wrote.

“ENB stock is due for an upward correction.”

I think Thomas is right on the money and believe passive-income investors have a lot to gain by going against the grain with battered shares of Enbridge, with the recovery trajectory that lies ahead. At the time of writing, ENB stock trades at just two times sales and 1.5 times book value.

While further regulatory roadblocks may cause near-term volatility in the stock, as it has many times in the past, longer-term thinkers will be rewarded for riding the rollercoaster ride of a stock that is Enbridge, not just with handsome dividends but with generous payout hikes and outsized capital gains once Enbridge gets back on the right track, proving itself to investors that it can be a market darling once again.

Foolish takeaway for Enbridge

It’ll be a turbulent next several months for Enbridge, but the juicy 8% yield itself, I believe, is more than enough incentive to hang in for the ride. The recent 3% dividend hike could signal that the tides have begun to turn. In any case, if you seek yield, it’s tough to find a stock that has a dividend that provides such a perfect mix of both size and safety.

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