



Today's Top Buy: Enbridge

Description

One of my perennial top picks, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), is a company that is perfectly suited to a specific investor type — that is, investors looking for defensiveness and income: primarily those [nearing or in retirement](#). This is also a stock I'd highly recommend Canadian investors consider because of the dividend tax credit, given Enbridge's high yield.

Here's why this stock has traded sideways for some time, but why it still makes for a great holding today.

Growth's not there, but Enbridge makes up for it with yield

Over the past decade, Enbridge has been a core portfolio holding for so many Canadian portfolios. This has been the case for a number of reasons. Among these, the company's growth prospects with expanding pipelines has been a key driver.

With pipeline expansions now likely to remain as rare as finding a unicorn over the long term, this changes the dynamics of this stock for certain investor types. There's not going to be the typical massive projects announced that investors have come to expect in the past. Rather, Enbridge will be forced to rely on its pricing power over time to increase cash flows. Indeed, expectations are that a pipeline shortage in Canada will remain in place because of the regulatory hurdles companies like Enbridge have to jump through. This increased pricing power could provide meaningful but less substantial growth over time.

Accordingly, this is not a stock investors own for capital appreciation or growth purposes. Rather, it's mainly a defensive income play.

Dividend is everything with this stock

The reason why so many investors continue to hold Enbridge today is its dividend yield. Yes, this isn't the most glamorous growth stock on the market. But a dividend yield of 7.6% is healthy in its own right.

In the past, investors also expected annual dividend increases in the double-digit range. Today, Enbridge's management team has announced they're targeting much lower dividend increases over time. Of course, dividend-growth investors don't like this. And they shouldn't. However, I think this move is prudent given the state of Enbridge's balance sheet today. Indeed, shoring up the company's balance sheet should be priority number one.

Conclusion

For long-term investors nearing retirement or those in retirement, Enbridge is a great stock. This company provides a bond-like high yield option that is one of the safest in the +7% range.

Accordingly, I'd recommend this stock at current levels, as I think this yield is far too attractive to ignore. Those looking to income can't go to the bond markets to find a yield like this with any sort of similar risk profile. Indeed, this is an income gem investors should consider today.

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1. Dividend Stocks
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1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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