TFSA Investors: 1 Great Canadian Dividend Stock to Buy Now for Passive Income

Description

TFSA investors are searching for reliable dividend stocks to put in their self-directed retirement portfolios. With GIC rates paying less than inflation, buying quality stocks for passive income is becoming more popular in online brokerage accounts.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) to see why it might be an interesting pick right now.

Enbridge overview

Enbridge is a giant in the North American energy infrastructure industry with a market capitalization of $100 billion and pipeline networks that carry 25% of the oil produced in Canada and the United States.

The natural gas transmission, natural gas storage, and natural gas distribution assets are also important. Through a series of acquisitions Enbridge has built up this side of the business to balance out the revenue stream. The division moves 20% of the natural gas used in the United States and the utility businesses distribute natural gas to millions of Canadian homes and commercial clients.

Growth

Getting large new pipelines built is difficult these days, and that is a headwind for growth. However, Enbridge still finds tuck-in projects along the asset base. This year alone, Enbridge will put $10 billion in new assets into service. The development portfolio should continue to grow, as the company finds new opportunities across the various operations. The majority will likely be in the natural gas transmission and renewable energy groups.

Enbridge also has the financial firepower to make strategic acquisitions. The company recently announced the US$3 billion purchase of a U.S. Gulf Coast light crude export platform. It's another step in Enbridge's goal of increasing its presence in the Gulf Coast export market with a focus on both oil and natural gas infrastructure. North America's strong oil and natural gas production capacity will increasingly supply international markets.

Earnings

Enbridge reported solid Q2 2021 results. Adjusted earnings came in at $1.4 billion, or $0.67 per share, compared to $1.1 billion, or $0.56 per share, in Q2 2020.

Distributable cash flow (DCF) increased slightly to $2.5 billion in the quarter. Enbridge confirmed its full-year 2021 guidance with EBITDA expected to be $13.9 billion to $14.3 billion and DCF per share of $4.70 to $5.00.

This is important for investors who rely on steady dividends for passive income. Despite the turbulent times in the energy sector, Enbridge has shown it can meet its targets.

Enbridge expects DCF to grow by 5-7% through 2023, supported by secured capital projects and any additional acquisitions. The recent purchase of the U.S. Gulf Coast export terminal will be immediately accretive when the deal closes.

Enbridge continues to monetize legacy non-core businesses. Since 2018, the company has sold or announced the sale of more than $9 billion in assets. The restructuring program shored up the balance sheet ahead of the pandemic, helping Enbridge ride out the challenging environment in the energy sector.

Dividends

Enbridge raised the dividend late last year, even with all the uncertainty surrounding many of its oil production clients. Now that fuel demand is getting back on track, Enbridge's throughput on its oil pipelines will continue to rebound.

Investors who buy the stock at the current price near $50.50 per share can pick up a solid 6.6% dividend yield.

The bottom line

Enbridge owns core energy infrastructure assets that are essential to the smooth operation of the Canadian and U.S. economies. The company has a long track record of dividend growth, and investors can get a great yield right now for their portfolios focused on passive income.

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