Should Investors Buy Enbridge Ahead of Dividend Payments?

Description

Enbridge (TSX:ENB)(NYSE:ENB) is one of the top recommended stocks out there when it comes to dividends. And right now, that's important to note. Motley Fool investors became used to growth over the last two years after the March 2020 crash. And now, we're seeing a pullback.

This comes from fear over inflation, and rightly so. Statistics Canada stated this week that inflation rose by 4.8% in December, the most since 1991. And with more rate hikes likely in the weeks ahead both here and in the U.S., investors are seeking shelter.

But is Enbridge your best bet?

The dividend

Let's get right to it. Enbridge is certainly a great choice for those seeking dividend payments. Furthermore, its dividend will be coming out reasonably soon. Motley Fool investors have until February 15 to decide whether they want to take advantage of its dividend. If they are a shareholder of record by this date, they will receive the dividend payment on March 1.

And that dividend recently got a nice boost. Enbridge entered its 27th consecutive year of dividend increases, bumping it by 3%. Shareholders will now receive $3.44 annually, or $0.86 per quarter.

Is it enough?

When compared to other dividend boosts, honestly this one wasn't all that impressive. Enbridge raised its dividend again and again over the last decade, but significantly slowed it down during the pandemic. In the last decade, the company has a dividend compound annual growth rate (CAGR) of 13.57%. The last five years, that drops to 11%. And the last three, 8.85%.

So that 3% boost we just saw? It's not much compared to what investors were used to. Furthermore, the company stated it could afford increases between 7% and 9% each year before the pandemic.

Now, of course the pandemic threw a wrench into those plans. But still, 3% is a far cry from those promises.

More could be coming

The Big Six banks have been touted as likely to increase their dividends again as soon as the next quarter. This comes from two years of freezing dividend growth. Enbridge could very well be playing it cautious, and may also take the same strategy. After a 3% increase, we may see another 3% in the next quarter. But only time will tell.

Meanwhile, there are signs of improvement. Management stated it plans to put $10 billion in growth capital into service this year to create significant cash flow. Further, last quarter Enbridge reaffirmed its full-year 2021 guidance to between $13.9 and $14.3 billion in EBITDA. Plus, guidance for EBITDA in 2022 is now between $15 and $15.6 billion thanks to an improved COVID-19 situation.

Bottom line

Enbridge seems to be in a far stronger position than it was two years ago. Furthermore, it continues to climb as oil and gas prices rise. The company has long-term contracts to continue making dividend payments. Plus, we should see higher increases once the company returns to normal.

So is it a buy before its February 15 deadline? I'd like to think so. Even for investors willing to take a small stake and see what happens.

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alegatewolfe