Get Passive Income of $170/Month With This TSX Stock

Description

2022 brought misfortune to equity investors. Most retail investors are probably staring at losses, given the massive selloff in top TSX stocks. Looking ahead, the uncertain economic environment and fear of recession could keep the stock market volatile in the coming quarters. However, you shouldn't worry much if you are an income investor, as several Canadian corporations could continue to pay and increase their dividends, even amid challenging times like these.

Take the case of **Enbridge** (TSX:ENB) stock. An investment of $30K in it at the current yield of 6.8% would help you earn a passive income of $170/month. Further, Enbridge is known for increasing its dividend payments with each passing year, implying one can start a growing passive-income stream with this stock, regardless of the volatility in the market.

But before you take an investment call, let's examine the facts that support my bull case for Enbridge stock.

Resilient payouts

Enbridge is among the top dividend-paying companies listed on the TSX. Its solid track record of uninterrupted dividend payments (67 years) and robust dividend growth (it's increased its dividend at a CAGR, or compound annual growth rate, of 10% since 1995) support my positive stance.

Enbridge's solid payout history reveals that its dividend payments are well safeguarded. For instance, the company has paid and increased its dividend, even amid the pandemic, when demand nosedived, and several energy companies announced a dividend cut. Enbridge announced a 3% hike during the pandemic.

This highlights the strength of Enbridge's solid business model and the resiliency of payouts.

Future dividend-growth drivers

Enbridge's dual-pronged strategy of expansion of existing conventional pipelines and investments in green energy assets positions it well to capitalize on growing energy demand. The strong price realizations and investments in new capacity will continue to drive demand for Enbridge's assets.

Besides the high utilization rate, Enbridge will likely benefit from its multi-billion secured capital projects. Notably, Enbridge will bring about $10 billion diversified capital program into service in the coming years, which will expand its earnings base and support higher payouts.

Enbridge is also modernizing its assets, connecting to LNG facilities, strengthening its export strategy, and growing its renewable power-generation capabilities. All these initiatives will support its organic growth. Further, its strategic acquisitions bode well for growth.

Bottom line

Enbridge has over 40 diverse cash streams that reduce risk and cover its payouts. Further, nearly 80% of Enbridge's EBITDA (earnings before interest, taxes, depreciation, and amortization) has protection from inflation, which bodes well for dividend growth.

Looking ahead, favourable sector trends, its resilient business, strong secured capital program, and productivity savings will support Enbridge's payouts. Enbridge is optimistic and expects its distributable cash flow per share (DFC/share) to grow by 5-7% through 2024. Meanwhile, the strength in its core business will further drive it beyond 2024.

Investors should note that Enbridge's future dividend could mirror its DCF/share growth. Further, its payouts ratio of 60-70% of DCF is sustainable in the long run.

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