For $100 in Monthly Passive Income, Buy 349 Shares of This TSX Stock

Description

Investors looking for steady passive income can consider investing in Canadian dividend stocks with solid fundamentals. One should target large-cap companies with well-established businesses, resilient payouts, and long track records of consistent dividend payment and growth.

In this article, I'll discuss a fundamentally strong TSX stock with a solid dividend payment history and well-covered payouts. Buying and holding this TSX stock can help you earn a worry-free $100 in passive income.

The best TSX stock to earn $100/month in passive income

Enbridge is among the safest stocks on TSX for dividend income, and there are good reasons for that. It is a large stock (market cap of over $104 billion) with a solid track record of consistent dividend payment and growth.

The company operates an energy infrastructure business underpinned by long-term contractual and other low-risk commercial arrangements like power purchase agreements and regulated cost-of-service tolling frameworks.

These mechanisms support Enbridge's distributable cash flows (DCF) and, in turn, its dividend payouts. It's worth highlighting here that Enbridge has paid dividends for more than 67 years. What stands out is that its dividend has had a CAGR (compound annual growth rate) of 10% in the last 27 years.

The company also paid and raised its dividend amid the pandemic, when most companies either maintained or reduced their payouts. This reflects the strength of its cash flows and the resiliency of its business model.

In 2021, Enbridge delivered an attractive total shareholder return of 30%. Meanwhile, its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) has grown at a CAGR of 14% in the last decade. During the same period, Enbridge increased its dividend at a CAGR of 13%.

Investors should note that about 80% of Enbridge's adjusted EBITDA has protection against inflation, which supports its DCF growth and payouts.

Enbridge stock is up about 9% year to date, and, at current levels, it offers a lucrative dividend yield of 6.7%. This implies that investors need to buy approximately 349 Enbridge shares to earn $1,206 per annum, or $100 in passive income per month.

Future payouts will likely grow

Enbridge's focus on the expansion and modernization of its conventional assets positions it well to capitalize on energy demand. Further, energy transition opportunities and focus on strengthening exports augur well for future dividend payouts. Also, Enbridge is eyeing low-capital intensity and utility-like investments that will help generate sustainable organic growth and drive its shareholders' returns.

Further, its diversified cash flows, high asset utilization rate, and productivity enhancements will drive its payouts. Moreover, its multi-billion capital coming into service, strategic acquisitions, and strong balance sheet should support future dividend payments.

Enbridge, though its secured capital program, expects to grow its DCF/share by a CAGR of 5-7% through 2024, which indicates that its dividend could increase at a low- to mid-single-digit rate in the coming years.

Bottom line

Enbridge's resilient business model, robust dividend payments and growth, visible cash flow growth, high yield, and a sustainable payout ratio of 60-70% of DCF make it a solid investment to generate stable passive income in all market conditions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin

4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. snahata

Category

1. Dividend Stocks
2. Investing

Date
2025/08/15
Date Created
2022/10/25
Author
snahata