This Dividend Stock Is a Safe Bet Regardless of Market Conditions

Description

The primary objective of investing in stocks is to build wealth. While some prefer to find growth stocks that could grow rapidly and deliver solid capital gains, some like stability with decent growth and a steady inflow of dividend income. Whatever your strategy may be, it's prudent to diversify and add a few high-quality dividend stocks to your portfolio to generate safe income, regardless of the market conditions.

Thankfully, the Canadian stock exchange has several high-quality, dividend-paying companies that can be easily relied upon to boost your income in all market conditions. Against this background, let's look at a top large-cap dividend stock that is a safe bet, irrespective of the economic situation.

The all-weather dividend stock

Before I begin, let's be clear that no investment is risk free. Even the safest stocks on the exchange can lead to losses. However, we can always minimize our risk through diversification and should not invest all our money in only one or two stocks.

With that background, let's zoom in on **Enbridge** (TSX:ENB), which is a solid dividend stock and a must-have in your portfolio to earn steady passive income. The company transports crude oil and natural gas. Also, it has a diversified portfolio of renewable energy projects.

Thanks to the recovery in crude and natural gas prices and steady energy demand, Enbridge stock has outperformed the broader markets in 2022, reflecting higher utilization of its assets. While its stock has remained resilient, what stands out is its stellar dividend payment and growth history.

This energy infrastructure company has paid uninterrupted dividends for 67 years. Further, it increased its dividend at an average annualized rate of 10% since 1995. The company had even increased its dividend amid the COVID-19 pandemic, when most energy companies announced dividend cuts or didn't announce a raise. Its strong dividend payment and growth history show the resiliency of its business and make it a safe bet to earn steady income, regardless of market conditions.

Future dividend payments are well protected

The company's dividend payments are supported by its highly diversified cash flow streams (it owns over 40 diverse cash streams). Meanwhile, contractual arrangements with provisions that reduce volume and price risk are positive.

Enbridge's inflation-protected adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) drives its distributable cash flow (DCF) per share (through which dividends are paid). The company's adjusted EBITDA has increased at a CAGR (compound annual growth rate) of 14% in the last decade, and over 80% of its EBITDA has protection against inflation. In the past decade, its dividend has closely followed EBITDA growth and increased at a CAGR of 13%.

Its expansion and modernization of conventional pipelines and continued investments in the renewable energy business will help capitalize on the energy demand and drive its adjusted EBITDA. Moreover, new assets coming into service through its multi-billion secured capital will further support its EBITDA and DCF growth and, in turn, drive its dividend payments.

Bottom line

Enbridge's resilient payouts and sustainable target payout ratio of 60-70% of DCF make it a reliable dividend stock for all market conditions. Further, investors can earn an attractive dividend yield of 6.4%.

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