



Passive-Income Investors: This Undervalued High-Yield Stock Yields 6.5%!

Description

Retirees and other investors are seeking top [TSX](#) dividend stocks to buy for Tax-Free Savings Account (TFSA) portfolios focused on passive income. The [market correction](#) is giving investors an opportunity to buy [undervalued](#) Canadian dividend stocks at discounted prices, driving up yields to attractive levels.

Enbridge

Enbridge ([TSX:ENB](#)) should be a good stock to buy when investors are concerned about the potential arrival of a recession. The energy infrastructure giant gets most of its income from regulated assets or businesses that have long-term contracts with customers. Enbridge's vast oil and natural gas transmission networks charge fees for moving the products from producers to refineries, storage locations, utilities, or export facilities. The gyrations of oil and natural gas prices have limited direct impact on revenue. In fact, as long as demand for fuel is strong, the cash flow should be steady and resilient.

Enbridge moves 30% of the oil produced in Canada and the United States, so the company's assets are strategically important. Public opposition to the construction of large new pipelines has forced Enbridge to pivot and follow a new growth path, but this also makes the existing infrastructure potentially much more valuable, as demand continues to grow for North American oil and natural gas.

Opportunities

Enbridge is already making acquisitions and investments to drive growth in new segments of the energy sector. The company spent US\$3 billion in 2021 to buy an oil export terminal in Texas. Last year, Enbridge announced an agreement to take a 30% stake in the new Woodfibre liquified natural gas (LNG) facility being built on the coast of British Columbia. Completion of the project is expected by the end of 2027.

Enbridge is also involved in the hydrogen and carbon capture markets. These are emerging opportunities that could grow to become meaningful drivers of revenue in the coming years.

On the renewables side, Enbridge has wind, solar, and geothermal assets. The company completed a large offshore wind installation in France in 2022 and increased its presence in the United States with the announced acquisition of a key renewable energy project developer in the American market.

Enbridge has \$17 billion in capital projects on the go, and investors should see new ones emerge, as the company finds expansion opportunities across the vast asset base. In addition, Enbridge's current market capitalization of more than \$110 billion gives it the financial clout to make further acquisitions.

Dividends

Enbridge raised its dividend by 3.2% for 2023. The move extended the dividend-growth streak to 28 consecutive years. At the time of writing, the payout provides an annualized yield of 6.5%. That's meaningfully higher than any Guaranteed Investment Certificate available in Canada, and investors should see the distribution continue to grow every year.

The bottom line

Enbridge trades near \$55 per share at the time of writing compared to a 12-month high around \$59.50. The stock should hold up well in 2023, as it did last year, and investors get paid a nice yield to wait for the next surge to the upside.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. 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. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/07/19

Date Created

2023/01/12

Author

aswalker

default watermark

default watermark