



## A Focus on Value and Safety Leads to This High-Yield Energy Stock

### Description

Many investors have been underweight energy stocks. Energy-related stocks have been generally weak and are trading at more attractive valuations. So, it may be a good time to pick up some shares.

**Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) offers a high yield and is a relatively safe energy stock you can consider. It is in the business of transporting and storing energy and generating power, which are essential for the customers it serves.

Enbridge has little exposure to the underlying commodity prices. So, the company is a safer investment than oil and gas producers.

### About Enbridge

Enbridge is a diversified company. Its crude oil and liquids transportation system is comprised of more than 30,000 km of pipelines across North America. It transports 28% of the crude oil produced in North America, including nearly 100 commodities or refined products.

Enbridge also gathers, transports, processes, stores, and distributes natural gas to its customers. So, it plays a key role, as North America transitions from coal to cleaner energy, including natural gas and renewable energy. Notably, since 2002, the leading energy infrastructure company has begun investing in renewable energy with a primary focus on wind generation.

### A low-risk business

Enbridge has been awarded an investment-grade S&P credit rating of BBB+. Moreover, it maintains a low-risk business model to minimize its commodity price exposure.

In fact, 96% of its cash flow is supported by long-term commercial agreements, and less than 5% of its earnings before interest, taxes, depreciation, and amortization is exposed to commodity prices.



## A growing dividend

It's no wonder that Enbridge has a long history of dividend growth — 21 consecutive years to be exact. Management doesn't see that changing; it expects to grow Enbridge's dividend per share by 10-12% per year through 2024. This year's payout ratio is estimated to be ~65% of its available cash flow from operations. So, its dividend should be sustainable.

From a 52-week high of ~\$59, Enbridge shares have pulled back meaningfully by ~17% to ~\$49, and they now offer a compelling yield of nearly 5%.

## Valuation and returns potential

Enbridge trades at about 9.1 times its operating cash flow, which is slightly discounted from its long-term normal multiple. Additionally, it has ~\$26 billion of secured growth projects, which should help drive growth for the next few years.

The Street consensus from **Thomson Reuters** has a mean 12-month price target of \$62.30 on the stock, which represents ~26% upside potential. Adding the nearly 5% yield and a near-term total return of ~31.5% is possible.

## Investor takeaway

Conservative investors should consider Enbridge now and on any further dips for income, dividend growth, and total returns.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## POST TAG

1. Editor's Choice

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## **Date**

2025/08/10

## **Date Created**

2017/09/14

## **Author**

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