3 Reasons Why Enbridge (TSX:ENB) Is a Great Stock to Buy and Hold Long Term

Description

Enbridge (TSX:ENB)(NYSE:ENB) has been one of the best-performing TSX stocks over the past week. At a time when the markets overall were tanking, Enbridge rose 2.3%, capping year-to-date gains of about 17%. The stock is, without a doubt, being helped by the rising price of Canadian oil, which has recovered since sliding below $20 last year.

As a pipeline company, Enbridge makes money whether or not the price of oil goes up. However, higher oil prices may signal growing demand for the commodity, which is good for Enbridge's ability to fill its pipelines and win new contracts.

Right now, Enbridge is easily one of the best energy stocks on the TSX. Backed by strong fundamentals and favourable economics, it could be the biggest winner in the oil and gas sector this year. The following are three reasons why.

Strong business fundamentals

Enbridge has excellent business fundamentals owing to its position as a major player in an industry where many of its competitors are struggling. The company owns one of the largest and most sophisticated crude oil transmission pipelines in the world, which it is successfully expanding with its green-lit Line III replacement.

By contrast, many other businesses in the pipeline business are facing regulatory hurdles that are placing years-long delays on their projects. This gives Enbridge a kind of temporary "moat" that ensures its pipelines will be filled to capacity for years to come. The company also benefits from a contract structure where it gets paid even if its pipelines are not actively being used, so a slight slackening of demand for oil wouldn't hurt the company too much.

Solid growth

As a result of its solid business fundamentals, Enbridge has posted strong growth numbers over the past four years. From 2015 to 2018, the company grew its revenue from $33 billion to $46 billion. In Q1, the company reported earnings of $1.8 billion, up from $445 billion a year before — an increase of 320% year over year. In the same quarterly report, the company announced that its Line III replacement would be completed in May, adding significant transportation capacity to the company's already impressive pipeline system.

High and rising dividends

A final point worth mentioning about Enbridge is that it has an ultra-high dividend yield of 5.87%, more than double the average yield on the TSX. This is significant because Enbridge is a proven business with a very dependable revenue stream, so we have a high dividend here that's not at a particularly great risk of being cut. Additionally, Enbridge has a five-year average dividend-growth rate of 17%, so if you buy ENB shares now, you'd likely see payouts rise in the future. The fact that Enbridge's earnings growth has been hot lately adds further evidence to support that thesis.

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