



3 Reasons to Buy Enbridge (TSX:ENB) Stock

Description

It's been a tough few years for energy stocks.

In 2014, oil prices were cut in half. In 2015, natural gas prices cratered. Conditions improved a bit in the following years, but by 2018, Canadian energy stocks were slammed due to a supply glut and pricing collapse.

But what if I told you that there was an energy stock that delivered positive returns throughout this entire period, with significantly less market volatility?

If you want to profit from energy stocks while mitigating your risk, here are three reasons to purchase **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) stock.

Market resiliency

Often, energy producers are playing a very specific game.

For example, some producers focus on low-cost production to shield cash flows during times of turmoil, while others focus on areas with high volume potential, betting that higher sales can offset lower profitability.

No matter which strategy succeeds, Enbridge has found a way to capitalize.

Enbridge describes itself as a multinational energy transportation company. In a nutshell, it owns and operates pipelines that move energy commodities from one place to another. This is a great business to be in.

No matter which energy companies are succeeding, there's always plenty of output to fill Enbridge's capacity.

Take a look at the historical trading price to appreciate the resilience of this business. In 2014, when oil

prices crashed, many energy producers were forced into insolvency. Enbridge, meanwhile, saw its share price *increase* that year.

Sustainable dividends

Enbridge currently pays a healthy 6% dividend. For the aforementioned reasons, this is a surprisingly reliable payout given its customer base has few other options. According to a recent report, Enbridge has been asking new customers to sign deals that are nearly a decade long.

With stable, long-term cash flows, Enbridge has been able to service and grow its dividend responsibly. Since 2013, the dividend has nearly doubled. Over the last 20 years, the payout has grown by roughly 12% per year.

With distributable cash totalling \$1.36 per share last quarter, the company still has plenty of room to grow this reliable income stream.

Rising demand

Over the next decade, regional supply is expected to grow nearly every year, which gives Enbridge attractive pricing power and a first row ticket to building new pipelines to service its markets.

Enbridge is already seeing rising demand for its services. In 2017, quarterly throughput averaged roughly 2,500 mmbpd. In the first quarter of 2019, throughput surpassed 2,700 mmbpd. The company aims to add another 50 to 100 kbpd in capacity by the end of this year.

Rising demand should continue to fuel dividend growth.

This year, distributable cash flow should come in between \$4.30 and \$4.60 per share, roughly 30% more than what's needed to cover the dividend. Over the next few years, management seeks to maintain a dividend growth rate of 10% while keeping the payout ratio below 65%.

From an attractive dividend and resilient business model to plenty of growth opportunities, there's a lot to like here. Enbridge has proven an ability to grow during bull markets and withstand even the toughest market routs. For example, the stock made it through the 2008 and 2009 financial crisis nearly unscathed.

This looks like a fantastic stock for aggressive and conservative investors alike.

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2. Energy Stocks
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