Should New Dividend Investors Still Buy Enbridge (TSX:ENB) Stock?

Description

Canadian oil investors have had a lot to put up with this year. The ongoing delays to the Trans Mountain expansion as well as the regulatory holdups facing companies such as **Enbridge** (TSX:ENB)(NYSE:ENB) have seen the domestic oil sector losing out on potential funds as spooked investors stay away.

However, loyal investors could see some steep gains if pipelines companies can manage to get their projects off the ground before next year. A possible downturn in U.S. shale production in the coming years could lead to a steep increase in demand for Canadian oil.

This could see the tide turn in Canada's favour and provide a big boost for the Western oil patch. However, with hold-ups in ongoing pipeline extension projects, a boost in demand could go unmet.

A strong buy for oil bulls and dividend investors

Enbridge is a frontrunner in the race to drain the oil patch. Yes, its Line 3 pipeline has its stumbling blocks, as do all of the current pipeline projects designed to carry Canadian oil out of the West.

However, should these be surmounted – and the Line 3 project is arguably the most likely to succeed in this regard – then Enbridge could make a lot of shareholders very wealthy as the funds pour in and the company booms.

Its dividend, currently yielding 6.21%, is one of the most secure on the **TSX** and can boast a track record of payment growth spanning just shy of a quarter-decade.

Its earnings before interest, tax, depreciation, and amortization shows strong operating performance with a reassuring 98% derived from regulated assets. Further, Enbridge currently grows its dividend at a rate of 10% a year.

Do energy investors have a reason to worry post-election?

A note of caution was sounded Tuesday night, however. Trudeau's failure to secure a majority in parliament could mean teaming up with a party less keen to see pipelines pushed through.

For instance, if the Liberals buddy up with the New Democratic Party, a party arguably more strongly committed to fighting climate change, then midstream companies may find it even harder to get clearance for their pipeline projects.

However, new potential investors should be less concerned with politics and more concerned with fundamentals, as Enbridge is still trading at an attractive valuation.

Going forward, the pipeline giant benefits from a dominant market share in a sector integral to Canada's current infrastructure and economic model, and with its stable cash flows it represents some of the most predictable returns to be found on the TSX over the long term.

The bottom line

Enbridge has had more than its fair share of bad press this year, with one challenge to its pipeline network after another. Still, its stock is a solid buy for the long-term income investor, as its mainline network represents an unassailably wide economic moat.

Its distribution is stable with a strong record of payments, and exhibits potential for growth further down the line. In short, the stock is a strong buy for new investors bullish on Canadian oil.

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