Why Enbridge (TSX:ENB) Needs to Be in Your TFSA

Description

Energy stocks encountered some turbulence in September. These equities have wrestled with more volatility in November. This sector has battled headwinds for the better part of this decade. In late October, I'd discussed an oil and gas giant that was worth trusting in the long term due to the strength of its business. Today, I want to discuss another energy giant that is worth holding into the next decade.

Enbridge (TSX:ENB)(NYSE:ENB) stock has climbed 19.5% in 2019 as of early afternoon trading on November 8. Shares of Enbridge have achieved average annual returns of 11% over the past 10 years. The company released its third-quarter 2019 results on November 8, and it still looks very strong as we move into the final weeks of this year.

Q3 earnings

Enbridge reported GAAP earnings of $949 million, or $0.47 per share, in the third quarter compared to a GAAP loss of $90 million, or $0.05 per share, in the prior year. Adjusted earnings came in at $1.1 billion, or $0.56 per share, over $933 million, or $0.55 per share, in Q3 2018. Distributable cash flow (DCF) surged to $2.10 billion compared to $1.58 billion.

The company expects its full-year results to exceed the mid-point of its guidance range. It forecasts DCF per share between $4.30 and $4.60 per share. Enbridge reported solid demand for crude volumes out of Western Canada and the Bakken through to U.S. Gulf Coast markets as well as high demand for its gas transmission businesses.

History of dividend growth

On November 5, Enbridge's board of directors declared a quarterly dividend of $0.738 per commons share. This represents an attractive 6.1% yield. Enbridge has delivered dividend growth for 23 consecutive years. Enbridge has maintained impressive cash flow, but headwinds in the broader sector may limit the rate of its dividend growth in the next decade. Still, it boasts a good track record.

Massive product pipeline

Enbridge has battled regulators over the last few years, but its Line 3 expansion has seen key progress so far in 2019. However, the company did warn of potential cost overruns on the $9 billion project. Enbridge's huge project pipeline is one of the reasons it is worth trusting in the years ahead.

The execution of the company's $19 billion secured capital growth program includes a $0.7 billion investment in the Gray Oak pipeline. This is expected to come into service before the end of the year. Its $1.1 billion Hohe See offshore wind power project in Germany is slated to be operational by the fourth quarter. These projects will fuel growth at Enbridge going forward.

Enbridge stock right now

Shares of Enbridge possessed a price-to-earnings ratio of 17.5 and a price-to-book value of 1.6 at the time of this writing. The stock is trading close to its 52-week high and had an RSI of 76 as of afternoon trading on November 8, putting it in technically overbought territory. Enbridge is trading at a premium after another strong report, so value investors may want to wait for a more favourable entry point. It's hard not to love Enbridge as a long-term income stock after three strong quarters in 2019.

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