Why Enbridge (TSX:ENB) Stock Is One of My Biggest Holdings

Description

Buy and hold. There are valid arguments to be made both for and against holding forever. However, what skeptics fail to grasp is that a long-term buy-and-hold strategy isn't intended to be done blindly.

That said, there are a handful of stocks that investors can genuinely hold and which don't require much effort. One such stock is **Enbridge** (TSX:ENB)(NYSE:ENB), Canada's largest energy company and the third-largest firm in the country. Size aside, this energy giant is one of the most reliable players in the sector.

As a long-time Enbridge shareholder, I have enjoyed significant price appreciation while collecting stable and reliable income. Over the past 10 years, including dividends, shareholders have enjoyed total returns of 228% despite a brief period of underperformance between 2015 and 2018.

In 2019, Enbridge returned a generous 21.7% and the future looks bright for one of Canada's largest companies. It remains a foundational stock in my portfolio. Here's why:

Dividend growth

As a dividend growth investor, safe and reliable income is of the utmost importance. As a Canadian Dividend Aristocrat, Enbridge is one of the most reliable dividend payers in the country. At 24-years and counting, it has the tenth-longest dividend growth streak in Canada.

One of the aspects I very much appreciate is that it follows through on commitments. When the company closed on the acquisitions of its subsidiaries a couple of years back, management announced that the dividend would growth by an average of 10% annually through 2020.

At the company's Investors Day in December, the company announced its third-consecutive 10% raise, fulfilling the promise it made back in 2017.

Moving forward, the dividend is expected to growth by 5-7% annually, in line with distributable cash flow (DCF). At a starting yield of 6.21%, shareholders enjoy considerable income that's expected to grow at more than double the rate of inflation.

Is the dividend safe? Management has a targeted payout ratio of 65% of DCF. Having a target against cash flow is a wise move and proof that management knows what it's doing.

Dividends are a cash outlay, and as such are best compared to cash flows as opposed to earnings. Through the first six months of the year, the dividend accounted for only 62% of DCF, below their targeted range. The dividend is safe.

Strong growth prospects

Apart from being a reliable income stock, Enbridge also has plenty of attractive growth opportunities. At the heart of the company's growth prospects is the much maligned Line 3 pipeline. The project has been delayed several times, but has recently received positive regulatory news, and the project is one step closer to fruition.

Line 3 isn't the only growth project on its radar, however. There are an additional 10 projects in its growth pipeline through 2022. In total, there are $11 billion worth of secured grow projects.

As an added bonus, as the company generates considerable cash flow, growth is self-funded. This means that it won't need to take on debt, or tap the markets. In fact, through 2022 the company is expected to experience a period of accelerated deleveraging.

Foolish takeaway

Enbridge is one of the rare stocks that make DIY investing easy. A safe and reliable dividend, healthy growth prospects and declining debt – there isn't much not to like about the company.

You can buy, forget and rest well at night knowing you are generating income as you sleep. As Warren Buffet once wisely said: *"If you don't find a way to make money while you sleep, you will work until you die."*

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