Enbridge (TSX:ENB): The Best Dividend Stock for September?

Description

Enbridge (TSX:ENB)(NYSE:ENB) has been an incredible dividend stock for decades. Just take a look at its history. It has increased the payout for 25 consecutive years, with annual growth averaging 11%.

If you wanted to get rich, all you needed to do was collect these dividends. But there's more.

Since 1995, Enbridge stock has risen *10 times* in value! Total returns for long-term shareholders have averaged above 20% per year. That's phenomenal.

This is all impressive, but can this tell us anything about how Enbridge stock will perform in the future? The dividend currently yields 7.6%, with the share price near multi-year lows due to the COVID-19 crisis.

Is this another chance to buy?

Take this opportunity

It's always a good time to buy a monopoly.

The most important thing to know about Enbridge is that it operates the largest pipeline network in North America. If you know anything about pipelines, this is an especially powerful position.

Pipelines are like highways, but instead of transporting cars, they transport fossil fuels like oil and natural gas. Like a road, it can take years to get the proper permitting, plus another few years to get it fully constructed.

Unlike a road, pipelines are massively expensive, sometimes costing $5 million per kilometer! They also pose a much greater environmental risk, meaning regulation is strict.

All of these factors limit industry supply. That's bad for fossil fuel producers as pipelines are the cheapest, fastest, and safest way to transport their output. It's good for pipeline owners, however, as they can operate a quasi-monopoly, with limited competition and extreme pricing power.

For example, Enbridge forces its customers to enter into long-term contracts with fixed prices. No matter where commodity prices head, the company remains insulated.

It should be easy to see how this stock was a long-term winner. Its infrastructure is irreplaceable, and cash flows are high and reliable. But is the stock still a buy today?

Bet on Enbridge stock?

Enbridge's monopoly position won't go away anytime soon. If we've learned anything in recent years, it's that its monopoly position will only continue to *strengthen*. Regulators continue to impede new pipeline construction, which only benefits existing operators.

The biggest concern is the price of oil. At the start of 2020, prices were above US$60 per barrel. Due to the coronavirus, they're now around US$40 per barrel, causing some producers to go bankrupt, lowering industry supply.

Over a period of several decades, perhaps Enbridge's position will weaken, but even with lower-for-longer pricing, total industry supply is still *rising*. New technology is making production cheaper than ever thought possible.

And remember: Enbridge charges on volumes, not prevailing commodity prices. As long as volumes grow, the company profits.

Concerns over energy prices have pressured the entire sector. Even though it's largely insulated, Enbridge's stock has suffered. This has pushed its dividend yield up to 7.6%. That's quite a haul for a company with a proven record of delivering double-digit results.

Enbridge is a high-yield dividend stock you can buy and hold for years to come.

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