Buy Enbridge (TSX:ENB) Stock for its Dividend

Description

Enbridge (TSX:ENB)(NYSE:ENB) stock still has its place in a diversified portfolio. The North American leader in energy infrastructure has great relative value and pays a high dividend.

Enbridge stock is cheap

Relatively high debt levels have deterred many investors, as most investors today only focus on companies with the most perfect balance sheets.

Enbridge's core assets are of higher quality than those of its peers due to both the quality of the product shipped and Enbridge's level of counterparty risk relative to its peers.

As the operator of the largest pipeline network in North America, Enbridge has built a pipeline of high-quality producers to contract with, which gives it an advantage from the risk perspective. In addition, the contracts negotiated by Enbridge are among the best in the industry, with a significant number of take-or-pay volume contracts that solidify revenue streams in this time of uncertainty.

The massive sell-off that we have seen in the energy sector has led, in many cases, to throwing the wheat out with the chaff. Enbridge is a company with excellent value today that all investors should consider.

Enbridge stock is about 25% below its pre-pandemic peak in February 2020 and is down 15% year to date. It continues to look cheap, trading at a discount to its peers. While it can be a bumpy road to recover from the COVID-19 crisis, long-term investors have a lot to gain from Enbridge, as the stock is trading for a dirt-cheap price.

Indeed, Enbridge stock is trading at 1.5 times book value, 8.8 times cash flow, and 16.6 expected earnings next year, all of which are significantly lower than the stock's five-year historical average multiples of 2.4, 9.5, and 19.7, respectively.

In addition, its stable profit margins — despite the ongoing pandemic — make Enbridge shares attractive. The company reported a nearly 40% year-over-year drop in second-quarter revenue to about $8 billion. However, its adjusted net profit margin increased significantly to 14.2% in the second quarter of fiscal 2020, from 10.2% a year ago. It was also better than its profit margin of 13.9% in the previous quarter.

A great stock for investors looking for income

Over the past five years, Enbridge has increased its dividend per share at a compound annual growth rate of 9.7%. If you invest in this company, your dividend income will increase every year during your life. You can receive the dividend without paying taxes on it if you buy Enbridge within a TFSA.

Despite headwinds in the energy sector, Enbridge stock remains well positioned to ensure the payment of its dividend.

While its share price fell, Enbridge continues to pay the same dividend per share. As a result, the dividend yield has increased significantly. At 7.9%, Enbridge's dividend yield is one of the highest among stocks trading on the **TSX**.

The company has $14 billion in liquidity, which is sufficient liquidity to withstand weak demand during the pandemic. Growth will resume as oil supply picks up. As oil prices normalize after the pandemic, Enbridge shares will likely hit their previous highs, offering strong prospects for total return. Enbridge is a high-yield dividend stock that you can hold for the long term.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

COMPANY NAME
Address | Phone | Link | Email

2025/07/21

Date Created

2020/09/13

Author

sbchateauneuf