



Enbridge (TSX:ENB) Stock: Is it the Ultimate Contrarian Bet?

Description

If investors are looking for a company that has predictable revenues, a high and sustainable dividend yield, stable cash flows, and a diversified business, your search should end with **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

The Canadian energy giant pretty much ticks all the boxes when you are looking for a good stock to invest your money in during these volatile times. It is Canada's largest pipeline player and one of the largest in North America. It transports about 25% of the crude oil produced in North America, almost 20% of the natural gas consumed in the U.S., and it is North America's third-largest natural gas utility by consumer count.

Enbridge received permission from the Pipeline and Hazardous Materials Safety Administration to restart operations on its Line 5 pipeline at the Straits of Mackinac after a temporary shutdown in June this year. It has also received approval from the Michigan Circuit Court. This is an important pipeline both for the company as well as Michigan, as it supplies around 55% of the state's propane demand.

Enbridge is a Dividend Aristocrat

Enbridge has increased its dividends at a [CAGR of 14%](#) over the last 10 years. This year, even as multiple companies in the energy space, including oil-producing giant **Suncor**, cut dividends, Enbridge maintained its growth rate. Today, its forward dividend yield is touching 8%.

The company is a safe option for investors who want an assured stream of passive income. Around 98% of its revenues come [from regulated operations](#) and second-quarter revenues were completely immune to the pandemic.

Its EBITDA actually increased by 3.2% from \$3.208 billion to \$3.312 billion. The company maintains its guidance of increasing its dividend by 5-7% until 2022 and has already increased its dividend every year for the last 25 years.

Growing renewable footprint

As the world reduces its dependence on oil, and oil demand plummets through the floor, Enbridge has been expanding its renewable power footprint. It recently announced that it has broken ground on its Lambertville Solar Project.

The company said, "Upon project completion, the 2.25-megawatt (MW) Lambertville solar farm will provide solar energy to Enbridge's Lambertville Compressor Station—offsetting a portion of the station's electric load, and helping power compressor units that keep natural gas flowing to homes and businesses via Enbridge's gas transmission pipeline network."

Enbridge has invested \$8 billion in renewable energy since 2002 and now has a net capacity of 1.8 GW of renewable power generation across the U.S. and Canada. The renewable segment of the business generated around \$150 million in the second quarter according to its reported financials, while its renewable earnings have increased by around 50% year on year.

If the news from the oil market continues to be negative, there is a chance that Enbridge stock might fall a little. However, I believe that the stock, currently trading at \$40.21, is a very smart buy just for its dividend play.

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