3 Reasons Enbridge (TSX:ENB) Stock Deserves a Spot on Your Forever Portfolio

**Description**

Pipeline giant **Enbridge** (TSX:ENB)(NYSE:ENB) has been on every dividend-seeking investor's radar. A confluence of factors has made Enbridge stock one of the most underrated dividend opportunities on the stock market. The volatility of the global energy market seems to have scared off most investors.



However, there are plenty of reasons for contrarian investors to add this stock to their portfolio at these distressed levels. Here are my top three reasons Enbridge stock deserves a spot on your forever portfolio.

## Predictable business model

As mentioned before, oil and gas is a volatile business. A minor flare up in geopolitical tensions or a surprise uptick in stored inventory in any country could cause upheaval in the market price for oil. Oil producers and energy suppliers usually bear the brunt of this volatility.

Enbridge, however, is an infrastructure company. It owns and operates one in every four pipelines that supply oil across North America. Constructing the pipelines takes decades, and the Enbridge team has to jump through hurdles to get them deployed. But once deployed, the pipelines are regulated and contracted for years.

This makes the company's cash flows highly predictable.

## Reliable dividends

Predictable cash flows are the secret sauce of great dividend stocks. Enbridge stock provides an 8% dividend yield, which hasn't been cut this year, despite the volatility in the oil market.

According to my Foolish colleague David Jagielski, even the company's layoffs were relatively modest this year. In other words, Enbridge seems to have survived the oil market crash better than most of its rivals. In fact, Enbridge management believes it can grow its distributable cash flow by 5-7% for the next three years.

If Enbridge stock can sustain or boost this lucrative rate of dividends, the stock price could bounce back sooner than expected.

## Enbridge stock's valuation

Year to date, Enbridge stock is down 23.8%. That's despite the fact that the management has kept the dividend payout steady and earnings haven't dropped nearly as much. According to its latest quarterly report, the company could generate $2.4 billion in distributable cash flow. That implies that the stock price is 33.7 times cash flow.

33 times cash flow is not bad for a company with reliable revenue and a solid dividend yield. Enbridge stock is also trading at 1.4 times book value per share and 1.8 times sales per share, which further cement the attractive valuation.



## Bottom line

It's not easy finding undervalued investment opportunities in this market. Stocks have been surging ever since the pandemic-triggered dip in March. Growth stocks are trading at all-time highs, while dividend stocks are facing declining earnings.

Enbridge stock seems to strike the perfect balance between value and income. The stock is beaten down at the moment, which means it's trading for a bargain. Meanwhile, management hasn't cut the dividend and could even expand it as the oil market recovers.

Enbridge's predictable business model, robust dividend, and solid valuation are reasons to add this stock to your forever portfolio.

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**Date**
2025/09/10
**Date Created**
2020/09/27
**Author**
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