1 Dividend Beast to Buy Now to Get Income for Decades

Description

The energy sector is the worst-performing sector (-54.66%) in the S&P/TSX Composite Index thus far in 2020. Top energy companies such as **Suncor Energy**, **Canadian Natural Resources**, and **Imperial Oil** are in negative territory. Interestingly, one constituent remains the hands-down choice of income investors.

Enbridge (TSX:ENB)(NYSE:ENB) is a dividend beast that you can derive investment income from for decades. Over the last 20 years, this energy stock has returned 917.57%. Moreover, it has increased dividends for 25 consecutive years.

The $81.41 energy infrastructure company awkwardly belongs in a highly volatile industry, but it's the most defensive asset you can own. You can't pass up on this prominent dividend payer if you're building future wealth.

Indispensable service

Enbridge generates revenue by shipping crude oil and natural gas in North America. Its oil logistics infrastructure comprises nearly 55% of adjusted EBITDA, while natural gas assets contribute 27%. The business of transporting vital commodities will endure for years on end.

Stable cash flows

The company dominates the space because of its vast pipeline network. Long-term take-or-pay contracts cover around 90% of the crude oil and natural gas volume it moves. Likewise, customers are investment grade. Enbridge's business model makes it a recession-resistant.

Enbridge is strategically letting go of non-core assets and reducing liabilities to strengthen the balance sheet. Modest organic growth should continue, but the next growth catalyst could be the renewable energy assets the company is building.

Hard-to-match infrastructure

Building a pipeline network would entail a massive capital-expenditure budget. Newcomers would have to deal with governments in securing the green light to proceed with construction. Enbridge is facing opposition in resuming the proposed Line 3 replacement.

Enbridge built its pipeline infrastructures decades ago, and they are still in place today. Moving energy through the pipelines is cost effective. It gives the company considerable advantage and business stability.

No dividend trap

For income investors and retirees, recurring income is crucial. Enbridge is far from being a dividend trap. It would take a significant business reversal before the company decides to slash dividends. Transporting energy is a need, and therefore, earnings and dividend payouts should be sustainable.

At present, the dividend yield of 8.18%. If you invest $50,000 in Enbridge today, the corresponding income is $4,090. In 25 years, your capital will compound by 714% to $356,980.45.

Income for decades

Enbridge will be a dividend beast for years, because transporting oil and gas will remain relevant. Management believes the weak demand in North America is temporary and should reverse eventually. However, it’s a real threat, because fewer users of its assets mean diminished business.

Still, Enbridge has multiple sources of revenue from its diverse portfolio. The company can also pursue and capitalize on various growth opportunities in the energy industry. Enbridge’s ultimate attraction is that its infrastructure assets assure investors of stable income streams regardless of market environments.

The business model insulates the company from volatility in oil and gas prices. You might find the energy sector extremely risky. However, you must isolate Enbridge from the bunch to appreciate what the dividend beast brings to the table.

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