Is Enbridge Stock (TSX:ENB) a Good Buy?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) stock is yielding 8.6% today. This leads many of us to ask if Enbridge stock is a good buy. I mean, at this dividend yield, Enbridge offers a very generous income profile for investors. It also offers strong upside potential.

Without further ado, let's look into this question. Here are the reasons that Enbridge stock is, in fact a great buy.

Enbridge stock: You can't beat this dividend stock

In terms of dividend-paying stocks, Enbridge stock stands out. Its 8.6% dividend yield is matched only by its long history of reliable and growing dividends. In the last five years, Enbridge's dividend has grown at a compound annual growth rate of 8.85% — a period when the price of oil was extremely volatile. But Enbridge continued to chug along, happily growing its cash flow and increasing its dividend. Keeping shareholders happy.

Even today, after the recent oil price crash due to the pandemic, Enbridge stands tall. This speaks to the resiliency and predictability of its business model. This crisis has hit Enbridge hard. But its diversification, strong liquidity and healthy balance sheet is key. All of this will ensure Enbridge survives and thrives.

The million-dollar question is this: Is Enbridge's dividend sustainable? This is a key question that needs to be answered before we decide if Enbridge is a good buy. So to answer this question, we have to look at Enbridge's cash flow and earnings profile. Earnings and cash flow estimates are rising, and liquidity remains strong. All of this supports the dividend.

A big question that is currently overhanging all energy stocks is whether they will make it. Will they will survive? This is why many of them are trading at extremely cheap valuations. This issue overhangs pretty much all energy stocks, which includes even stable energy infrastructure stocks like Enbridge.

Enbridge stock: valued for a disaster scenario

So Enbridge stock is trading at doomsday valuations today — valuations that ignore the company's strengths. Enbridge has a highly strategic, resilient and diversified asset base. As well, 95% of its customers are investment grade. Enbridge has completed $30 billion of projects since 2016. So we can see this industry is still alive and they're still in demand.

The dirt cheap valuations also ignore the company's bright future. We have to question the widely-held belief that energy stocks are done for. I have a different, unpopular belief. I believe that oil and gas stocks will make it to a new day. The transition to cleaner sources of energy is happening. But two things are really important to remember. First, it will not happen as fast as the market is anticipating. We will need oil and gas to power our lives for many years yet. Second, as this happens, oil and gas companies are already figuring out ways to reduce their industry's carbon footprint.

And it *is* working. For example, Suncor Energy**,** one of Canada's leading oil and gas companies has achieved a lot. Suncor's stated greenhouse gas emissions goal is to "…harness technology and innovation to reduce our emission intensity by 30% by 2030."

This is to be achieved by using more co-generation facilities, a highly efficient technology that reduces waste. It will also be achieved by Suncor's investment in technology to change the way the company extracts and processes the oil sands. These are but two examples in a long list of efforts.

The bottom line

The bottom line is simple. It is that yes, Enbridge will be around for the long term. As Enbridge stated unequivocally, "Enbridge is well positioned for a transitioning energy mix towards lower carbon fuels over time." The stock has an 8.6% dividend yield and rock-bottom valuations. Enbridge stock is not only a good buy today, it is a great buy.

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