3 Reasons Why I'm Buying Enbridge (TSX:ENB) Stock

Description

Long-term investing takes a lot of patience. There are times when an otherwise superb long-term investment goes through periods of short-term uncertainty. That's exactly the feeling that some investors are getting with respect to **Enbridge** (TSX:ENB)(NYSE:ENB). Here's a look at what makes Enbridge a great holding, and why I'm buying Enbridge stock.

Reason #1: That incredible pipeline business

Enbridge's lucrative pipeline business is often mentioned as a clear advantage to investing in the energy behemoth. In fact, few investors may realize just how lucrative and important that business segment is.

First, let's go over some facts. Enbridge's pipeline business generates a recurring revenue stream for the company. That recurring revenue stream is not based on the price of the commodity being transferred. In other words, irrespective of which way oil prices move, Enbridge continues to generate revenue from the use of that pipeline.

To put the importance of that pipeline into context, consider the sheer size and volume of oil and gas that Enbridge transfers. Each day, the company hauls nearly three million barrels of crude and liquids. That translates into a whopping 65% of all Canadian production bound for the U.S. market. Collectively, Enbridge transports one-quarter of all crude oil produced in North America.

The company's gas pipeline boasts a similarly shocking number. Enbridge's gas network, which consists of over 38,000 kilometres in length is used to transport 16.2 Bcf/d (billion cubic feet per day) of natural gas. That works out to an astonishing 20% of all the gas consumed in the U.S. market.

That impressive business might be reason enough for investors to consider buying Enbridge, but there's much more.

Reason #2: There’s more than a pipeline business

Enbridge’s pipeline business is a great reason to consider buying Enbridge stock, but not the only one. Enbridge has been quietly amassing a sizable renewable energy portfolio. That portfolio currently works out to approximately 1,750 MW of generating capacity. That capacity is enough to power over 945,000 homes.

Furthermore, the renewable energy segment continues to grow. Enbridge has injected nearly $8 billion into current and future renewable projects. Over time, those ongoing and future projects will see Enbridge boost its renewable energy generating capacity to well over 4,600 MW of energy.

Apart from the appeal of renewables, the segment represents a welcome hint of diversification that is rarely found in fossil fuel energy infrastructure companies.

Reason #3: Income

Who doesn’t love a growing income stream? Late last year, Enbridge announced its 26th consecutive annual dividend hike. The latest 3% hike will be payable next month, bumping an already impressive yield that comes in over 7%.

To be fair, the current yield is indicative of the stock’s lagging performance during the pandemic. Fortunately, the stock is moving up. So far in 2021, Enbridge stock has soared over 10%. For potential investors, this represents a unique advantage to buy Enbridge at a discount now and watch that dividend grow into a healthy income stream.

To put that yield into context, a $25,000 investment in Enbridge now works out to just over $150 in monthly income. Reinvesting those dividends until you need to draw on that income will provide even bigger gains. That alone makes the case for why you too may want to start buying Enbridge.

Final thoughts

Enbridge is a great investment. The stock is well diversified and backed by a recurring and stable revenue stream. That revenue stream isn’t disappearing anytime soon, and Enbridge’s entry into renewables is only just beginning. If nothing else, Enbridge’s juicy dividend is just too hard for income-seeking investors to ignore.

In my opinion, Enbridge is a great buy-and-forget stock for nearly any portfolio. To put it another way, buying Enbridge today can help boost your nest egg in the long run.

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