Enbridge: Why You Should Own This TSX Heavyweight Stock

Description

In May 2020, I'd explained why **Enbridge** (TSX:ENB)(NYSE:ENB) stock was a steal, as the COVID-19 pandemic started to rage across North America. Shares of Enbridge have climbed 14% in 2021 as of mid-morning trading on April 22. This has accounted for just about all its gains year over year. Today, I want to discuss why investors should buy and hold Enbridge for the long haul.

A resurgent global economy is good news for oil and gas prices

Oil and gas prices were hit hard in 2020. The COVID-19 pandemic was a huge disruption for the oil and gas space. Demand plummeted as tens of millions of workers around the world were forced to work from home for months on end. The reduction in daily commutes meant that gas retailers would take a hit, which led to a dip in prices.

The global economy has bounced back nicely in 2021. Many countries, including Canada, are still in the early stages of inoculating their citizens. Regardless, the International Monetary Fund (IMF) is projecting 6% global growth in 2021. This is a good sign for the oil and gas industry. **Goldman Sachs** is projecting a huge spike in oil and gas demand in the summer. Enbridge is the largest energy infrastructure company in North America. It is well worth your attention in this climate.

Enbridge performed well over the past year

Enbridge unveiled its final batch of 2020 results on February 2020. It was a challenging year for Canada's energy sector, but this infrastructure giant managed to come out of it looking good. Adjusted EBITDA came in at $3.3 billion — flat from the prior year. Meanwhile, distributable cash flow (DCF) rose to $9.4 billion over $9.2 billion in 2019.

Utilization rates in gas transmission, gas distribution, and the company's renewable power business was high throughout 2020. This added some much-needed predictability in a tough year. The company has continued to wrestle with regulators in the United States. Most recently, it was pushed into a legal battle in Michigan after Governor Gretchen Whitmer ordered the shut down of the Line 5 project.

Enbridge has pushed back, opting to take the battle to the courts.

This TSX heavyweight offers solid value and great dividends

In Q4 2020, Enbridge hiked its quarterly dividend by 3% to $0.835 per share. The company has achieved 26 consecutive years of dividend growth. Enbridge stock last had a price-to-earnings ratio of 31. That puts this dividend heavyweight in favourable value territory compared to its industry peers.

Investors who snatch up Enbridge get to own a company that still boasts a massive project pipeline. It is on track for solid DCF growth going into 2023. This should also underpin its dividend growth in the first half of this decade. On that front, Enbridge offers an attractive 7.1% yield. It remains one of the strongest options for investors on the hunt for exposure to the energy space and for a top dividend stock.

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