Enbridge Stock: $10,000 in This Blue-Chip Stock Will Give You $715 in Annual Dividends

Description

Enbridge (TSX:ENB)(NYSE:ENB) is one of the best plays in the North American energy space. Based out of Calgary, Enbridge is a multinational energy transportation company. It is Canada's largest natural gas distribution provider and has around 3.5 million retail customers in Quebec, Ontario, New Brunswick, and New York State.

It pays a dividend of 7.15% that is backed up by consistent revenue despite volatile oil prices. So, if you invest $10,000 in Enbridge stock right now, you will generate $715 in annual dividends over the next year.

The company will declare its Q1 results on May 6, and it might be a good idea to take a closer look at this stock right now.

Why ENB stock is a long-term buy?

Enbridge operates in one of the most heavily regulated sectors in the world: oil and energy. This sector is also one of the most capital intensive in the world. Enbridge has built a solid business model due to the below-mentioned factors:

- Oil and gas distribution involves building and maintaining billions of dollars' worth of pipelines.The amount of money and time any new player will have to invest in just building up theinfrastructure is too much for Enbridge to be worried about.
- Enbridge counts the likes of **Imperial Oil**, **Marathon Petroleum**, **BP**, **NextEra**, and other large-cap energy giants among its clients. These companies sign long-term contracts that allow Enbridge to generate a steady stream of cash flows across business cycles. It's going to be very difficult for other companies to lure away Enbridge clients.
- The regulatory hurdles in this sector are enormous. Let's face it, Enbridge operates in an industry that isn't the most environmentally friendly. People today are more concerned about the environment than ever before making it a sector with high entry barriers.

Enbridge currently moves 25% of the oil produced in Canada and the U.S. and 20% of natural gas used in the United States. It also owns 22 wind farms as well as multiple solar, hydro, and geothermal power-generating facilities. It has several projects where it can use renewable gas utilities arranged from landfills, helping with the replacement of natural gas in power generation.

What's next for Enbridge investors?

With the plunge in fuel demand, oil prices did see a major drop in the past few months. However, with oil demand increasing, prices will improve slowly. Crude oil is trading at US$62 levels today and Enbridge closed at $46.73. When oil was at US$48 levels in December 2020, Enbridge was trading at $40. As oil prices are likely to gain pace in the second half of 2021, it is quite possible that Enbridge stock will move in tandem.

Meanwhile, though Enbridge's oil segment saw a dip, its other business units performed well. Its renewable unit that includes wind and solar facilities has continued to grow. Its gas transmission, distribution, and storage business have managed to provide a reliable cash flow and its liquid pipelines await recovery with improving oil demands.

The company is currently looking to spend around $16 billion on several expansion projects through 2023. It is also hoping to generate anywhere between $13.9 billion to $14.3 billion in adjusted EBITDA, while DCF per share should range anywhere between $4.7 and $5 in 2021. This will indicate a growth of 6% in EBITDA and 4% in DCF.

Enbridge has managed to prove that having a durable business model has ensured that despite an economic downturn, the company has managed to stand tall. Analysts expect the stock to hit $51.86 from current levels. That's upside of over 11%. After accounting for its tasty dividend yield, annual returns will be closer to 18%.

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