



Enbridge: Why You Need to Buy This Dividend Stock in May

Description

The **S&P/TSX Composite Index** was down 90 points in late morning trading on April 29. **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), one of the largest stocks on the **TSX** by market cap, was up 0.5% in the same trading session at the time of this writing. Today, I want to discuss why this top dividend stock is well worth stashing for the long haul. Let's jump in.

Why I'm jumping into the oil and gas sector in May

Last week, I'd discussed why investors should seek [exposure to oil](#) and gas producers in 2021. Oil and gas prices have gained considerable momentum as the global economy has rebounded from the pandemic. The United States gross domestic product (GDP) grew at an annualized rate of 6.4% through the first quarter. Its vaccine rollout has been a major success, allowing it to pursue an aggressive reopening.

Canada has fallen behind its top allies on this front. However, its economy is also on the rebound. These conditions are bullish for the oil and gas market. In March, **Goldman Sachs** projected that oil prices would continue to build momentum into the summer. Western Canadian Select (WCS) rose above the \$50 mark this week. It had plunged into single digits during the March 2020 market pullback.

This environment is good news for Enbridge and its peers, managing to put together solid earnings even in the face of difficult conditions in 2020.

Enbridge is a dividend heavyweight worth trusting for the long term

Shares of Enbridge have climbed 15% in 2021 so far — up 6.5% from the prior year. The company is set to release its first batch of 2021 results on May 7.

Canada's top energy firms started to post major improvement in the final months of 2020. In Q4 2020,

Enbridge posted GAAP earnings of \$1.77 billion or \$0.88 per share. Meanwhile, adjusted EBITDA rose to \$3.20 billion – up from \$3.18 billion in Q4 2019. Moreover, distributable cash flow (DCF) was reported at \$2.20 billion compared to \$2.05 billion in the previous year.

For the full year, Enbridge saw adjusted EBITDA increase marginally from 2019. However, adjusted earnings fell to \$4.89 billion or \$2.42 per share – down from \$5.34 billion or \$2.65 per share.

The top energy firm boosted its quarterly dividend by 3% to \$0.835 per share. That represents a very attractive 7% yield. Enbridge has delivered [dividend-growth for 25 consecutive years](#).

How does Enbridge's value look today?

Momentum for oil and gas prices bode well for this top energy infrastructure firm going forward. It has proven resilient even in the face of very challenging conditions during the COVID-19 pandemic. However, does it offer the kind of value investors should get excited about?

Enbridge stock had a price-to-earnings ratio of 32 at the time of this writing, putting the top dividend stock in solid value territory compared to its industry peers. It is still worth picking up as we head into the month of May.

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aocallaghan

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