Why Enbridge Stock Remains a Long-Term Winner Today

Description

Enbridge (TSX:ENB)(NYSE:ENB) is one of Canada's energy transportation and distribution behemoths. This stock has performed quite well for investors this year. Indeed, Enbridge stock is up 22% year to date, a relatively decent return for this high-yielding energy play.

Indeed, there are certainly a number of near-term catalysts responsible for this short-term move. However, over the long term, I expect this trend to continue.

Here's why I think now is the time to consider Enbridge stock for those with a long-term investing time horizon.

Pipeline infrastructure undervalued by the market

The recent cyber ransomware attack on Colonial Pipeline caused a massive shortage in fuel supplies in the southeastern United States. Indeed, the catastrophe that occurred as a result of a single pipeline being shut down for a very short amount of time is terrible in its own right.

However, this event should provide pause for investors. The reality is the underlying value of many pipelines is being undervalued by the market today. Most of us take our energy supply as a given. Yes, pipelines provide an essential service. However, most consumers don't really care how oil gets from point A to B, as long as it does so efficiently.

It turns out that pipelines are the most efficient (and environmentally friendly) way to transport oil long distances. Other options, including rail and trucking, have proven to have much higher spill rates over time. And as the economy transitions toward a cleaner energy future, the reality remains that our economy can't survive without pipelines for the foreseeable future.

Accordingly, I think more investors are beginning to see the value Enbridge and its peers bring to the table. Indeed, this isn't the greenest stock on the planet. It's still a company that makes its money inthe fossil fuels business. But for investors seeking portfolio defensiveness, pipelines provide cash flow certainty most companies can't today.

Bottom line on Enbridge stock

Enbridge's most recent earnings showed the strength of this pipeline behemoth. The company reported adjusted EBITDA of $3.7. billion, and adjusted earnings of $1.6 billion. These numbers were down slightly year over year ($0.81 per share vs. $0.83 per share last year). However, considering the fact that we need to factor in the effects of the pandemic, these results aren't bad.

Indeed, Enbridge is a company that's making the right steps forward for its long-term growth model. The company has been investing heavily in renewable energy projects. Whether investors look at the company's solar or hydrogen production projects, Enbridge is moving in the right direction.

For now, the stability of the company's cash flows, and the heftiness of Enbridge's 7% yield ought to be enough for long-term investors today. This is a company that pays investors to be patient and has the balance sheet and cash flows to support paying its incredibly high dividend for the foreseeable future.

Accordingly, Enbridge remains a long-term winner right now, with or without positive headlines.

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