3 Reasons Why Enbridge Could Be the Best TSX Stock to Buy in June 2021

Description

The shares of Calgary-based energy firm **Enbridge** (TSX:ENB)(NYSE:ENB) are consistently rallying in 2021. Yesterday, its stock settled at $49.43 per share with 2.4% gains for the day. It was Enbridge's highest daily closing price since March 9, 2020. Notably, COVID-driven demand worries triggered a sharp selloff in its stock in March 2020, as it saw 18% value erosion.

While many experts fear that the Canadian stock market could be nearing its short-term peak, Enbridge could still be one of the best **TSX** stocks to buy right now. Here are three key reasons to support my argument.

Surging energy demand

The demand for energy products is surging in 2021, as the global economic activities continue to rise after the pandemic-related shutdowns last year. This has triggered a massive rally in oil prices. Crude oil prices have risen by nearly 50% this year so far.

Surging oil prices are likely to boost the profitability of energy companies, including Enbridge, in the coming quarters. While oil prices are already trading close to their multi-year high, they could continue to rise further in the coming months amid the continued economic reopening.

Enbridge's improving fundamentals

Enbridge is one of the largest North American energy infrastructure firms. Its liquids pipelines transport nearly 25% of the crude oil produced in North America. Its total sales fell by 22% last year, as a sharp slump in energy demand badly hurt its revenues. Nonetheless, the trend in its sales has already reversed, as it reported positive year-over-year growth in its Q1 revenues. Analysts expect its revenue growth trend to continue improving in the coming quarters.

Enbridge reported an adjusted net profit margin of 13.4% in the first quarter — better than the 11.3% margin in the previous quarter. The company's ability to maintain high profitability despite facing operational difficulties makes its stock worth adding to your stock portfolio.

During its Q1 earnings event, Enbridge's management reconfirmed the company's strong 2021 guidance. The management expects its key segments to experience robust utilization through the balance of the year. I expect the company to report solid revenues in the coming quarters, along with a sharp expansion in its profit margins — partly due to rallying oil prices. It could drive a big rally in its stock in the near term.

Outstanding dividends

Last year, Enbridge's dividends increased by nearly 10% year over year to $3.24 per share. Interestingly, its dividends have risen by 74% in the last five years to $3.24 per share in 2020 from $1.86 in 2015. At the current market price of $49.43 per share, its dividend yield stands at 6.8%.

More reasons to buy Enbridge stock

Enbridge's stock fell by 21% in 2020. In contrast, it has risen by nearly 22% this year compared to nearly 16% gains in the TSX Composite Index. While its stock continues to largely trade on a positive note in 2021, it hasn't seen much appreciation, in my opinion.

Overall, Enbridge's significantly improved future growth outlook, positive macro environment, and its amazing dividend make its stock one of the best Canadian stocks to buy right now.

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