Why Enbridge Stock Is Worth Holding Forever

Description

Enbridge (TSX:ENB)(NYSE:ENB) is the largest energy infrastructure company in North America. Its shares have climbed 20% in 2021 as of close on June 28. The stock is up 18% from the prior year. Today, I want to discuss why Canadians should look to stash this dividend heavyweight for the long term.

Is the dispute in Michigan cause for concern?

The top energy firm has been swept up in yet another regulatory battle to kick off this decade. It is recently removed from an arduous dispute over its Line 3 expansion in Minnesota. In late 2020, Michigan governor Gretchen Whitmer sought to revoke and end a 1953 easement that allowed Enbridge to run the dual pipeline through the Straits of Mackinac.

Enbridge entered a legal battle to maintain its operations in the region. As it stands today, both sides are locked in negotiations. A letter filed with a federal judge in Grand Rapids suggests that the United States and Canadian governments are holding bi-weekly meetings on the subject.

There is still hope for a compromise that will see Enbridge able to breathe a sigh of relief in the months and years ahead. In any case, investors in this top energy stock should not turn away due to this ongoing dispute. Enbridge boasts a massive project pipeline and has put together a strong performance in the face of headwinds over the past year.

Enbridge delivered strong results in the first quarter

In Q1 2021, the company reported GAAP earnings of $1.9 billion or $0.94 per common share — up from a GAAP loss of $1.4 billion, or $0.71 per common share, in the first quarter of 2020. Meanwhile, adjusted earnings were down marginally to $1.6 billion, or $0.81 per common share. The company announced that it had advanced $17 billion in a secured capital program. Moreover, $10 billion will be put into service in 2021.

Enbridge CEO Al Monaco noted the company's strong start to the 2021 fiscal year. "Completion of our three-year plan is expected to generate $5-6 billion of annual investment capacity," Monaco said in the report. He also stated that the company had continued to progress with its investment in zero-emissions projects.

Investors can expect to see the company's next batch of 2021 results in late July. Enbridge should also benefit from surging oil and gas prices in 2021. A continued global economic rebound will underpin this sector in the months ahead.

Why this dividend stock offers great value today

Shares of Enbridge last possessed a favourable price-to-earnings ratio of 15. However, the top energy stock slipped into technically overbought territory in the middle of June. A broader pullback on the TSX has dropped it back to neutral price levels.

Canadian investors have rightly been drawn to this top dividend stock. Enbridge has delivered dividend growth for over 25 consecutive years. It currently offers a quarterly dividend of $0.835 per share. That represents a tasty 6.8% yield. There are many reasons to buy and hold Enbridge stock for the long term as we start the summer.

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