Why Enbridge Stock Could Be the Dividend Stock to Buy This Fall

Description

Identifying a core long-term dividend stock is not easy, especially in this current economic environment. That said, only a few companies provide as high (and defensive) a yield as **Enbridge** (TSX:ENB)(NYSE:ENB) right now. And in my view, the next few months could be positive for shareholders of Enbridge stock.

Indeed, for investors who are concerned regarding inflation or are simply looking to add income to their portfolio, Enbridge stock is an option worth considering. Here's why.

New Line 3 project will be operational in Q4

As a top TSX dividend stock, Enbridge provides a level of cash flow stability other companies simply can't. This cash flow stability comes from a business model that is utility-like in nature.

Oil and gas producers require a steady flow from production sites to refineries. Enbridge provides this in exchange for various capacity contracts, locking in cash flows over a given period of time.

By doing this, the company can gauge the exact ROI and IRR of its massively expensive projects. One such project is the upcoming Line 3 replacement.

As per Enbridge's recent press releases, the company expects to being transporting crude oil from the Canadian oil sands to the U.S. by Q4. This will bring a total capacity of 620,000 barrels per day online, significantly higher than the older Line 3.

For Canadian oil sands producers, this project provides much-needed relief for a backlog that has built in recent years. For Enbridge, this pipeline provides even higher cash flows over time, which will be used (in part) to pay higher dividends.

The entire sector, as well as investors in Enbridge stock, benefits from this new pipeline. While some legal and environmental concerns remain, it appears this expansion project will be finished shortly.

Export capacity will increase following new acquisitions

Enbridge will be acquiring one of its rivals, **Moda Midstream**, in a $3 billion in an all-cash deal. The main objective of this takeover is to increase its export capacity further. Following this deal, Enbridge's focus will switch towards the U.S. market, as it completes the Line 3 expansion project.

Enbridge will also purchase a 20% stake in the Cactus II Pipeline, as the company aims to increase its cash flow growth potential. Undoubtedly, these acquisitions certainly appear to be a cost-effective way for Enbridge to achieve this objective.

Enbridge recently commented that these acquisitions would be completed using current liquidity. Accordingly, those concerned about a ballooning balance sheet appear to have nothing to worry about. The accretive nature of these deals should bode well for shareholders in Enbridge stock over the near to medium term.

Bottom line on Enbridge stock

A juicy yield of 6.5% with Enbridge stock is certainly enticing. However, I think Enbridge has the business model and cash flow potential to not only live up to this yield but provide hikes down the road.

Long-term investors seeking high-yield equities can't go wrong with Enbridge stock. Indeed, this remains one of my top picks for those seeking bond-like yields above 5% today.

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