



ENB Stock: Why Enbridge Remains a Top Bet for Long-Term Investors

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is one of the largest pipeline companies that transports crude oil and natural gas primarily in the North American region. Despite belonging to the energy sector, which is known for its high volatility, Enbridge stock has sailed through harsh times with ease and is currently one of the best-performing energy stocks available on the TSX, especially for long-term investors. The stock has gained over 30% in dividend-adjusted returns this year compared to the 19.5% gains of the broader index.

But does ENB stock remain a solid bet for the last quarter of 2021 and beyond?

Enbridge benefits from stable cash flows

Enbridge has a robust business model that allows it to generate stable cash flows across business cycles. Its highly resilient business model was built on the back of the company's core operations and focus on diversification.

Moreover, as Enbridge earns primarily from transmission services, it always has a constant source of cash inflow, making it relatively immune to the underlying volatility in commodity prices.

Furthermore, the company's growing [renewable energy](#) business and energy storage business also comes to the rescue when the demand for energy goes down. Earlier, during the peak of the pandemic when demand for energy declined significantly, these two segments had contributed largely to keeping the company's balance sheet stable.

A bright future for ENB stock

Enbridge has a number of projects lined up in the future that should improve cash flow generation going forward. Its management has recently completed the last part of its U.S. Line 3 Replacement project and expects it to start operating by the fourth quarter of this year. Further, its T-South Expansion and Spruce Ridge projects are also expected to start operating by the end of 2021. These

projects are in the form of long-term contracts that can provide the company with constant cash flows for decades, which should support further dividend increases.

Investors should also note that Enbridge continues to expand its renewable energy business that currently accounts for just 4% of cash flows. The shift towards clean energy solutions will accelerate in the upcoming decade and companies with an expanding renewable energy portfolio will stand to benefit from this transition.

Enbridge is a Dividend Aristocrat

Enbridge is [a Dividend Aristocrat](#) and could be the perfect choice for income-seeking investors. The company has increased its dividend payouts at an annual rate of 10% in the last 26 years, showcasing its recession-proof business model. At present, ENB stock has a dividend yield of 6.6%, which is much higher than most other energy stocks on the TSX.

Enbridge is attractive to both income and value investors. The rising prices of crude oil and the company's expansion of its portfolio of cash-generating assets will allow it to increase payouts going forward. Analysts tracking ENB stock expect it to gain around 10% in market value over the next year. After accounting for its dividend yield, total returns will be closer to 15%.

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