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Why Enbridge Stock Is a Buy in 2022

Description

Here's why **Enbridge** (TSX:ENB)(NYSE:ENB) stock is a buy in 2022. It could work as a core holding for many diversified investment portfolios. It is a low-risk, blue-chip dividend stock. Based on its generous dividend yield, reasonable valuation, and the company's guidance of 5-7% growth through 2024 projected farther, it can potentially deliver total returns of 11-15% over the next five years.

Enbridge stock fits well in most investment portfolios

Enbridge stock should work well for most investment accounts with a long-term investment horizon. Instead of an energy stock, it's more relatable to a utility. It employs a low-risk and highly predictable business model. Its adjusted EBITDA, a cash flow proxy, has been stable or increased every year since 2008 right about when one of the recessions occurred. The company is proud of having achieved its guidance for 16 years.

The leading North American energy infrastructure company is modernizing its pipeline systems to help achieve net-zero emissions. It's a critical business that transports 20% of the natural gas consumed in the United States and transports and exports 25% of the crude oil in North America. Let's not forget that it also has a growing clean energy power portfolio, including renewables and other low-carbon facilities.

Enbridge currently projects it can grow its distributable cash flow per share (DCFPS) at a compound annual growth rate of 5-7% through 2024.

The energy stock provides high passive income

Enbridge is an attractive income stock. Think about buying the shares and doing nothing but sitting on the shares to earn passive income on a juicy yield. Specifically, at $50.77 per share at writing, ENB stock yields almost 6.8%.

What's more to like is that Enbridge stock is likely to increase its dividend over time. It has consecutively increased its dividend for 27 years. Therefore, it easily secures its spot as a blue-chip Canadian Dividend Aristocrat. Understandably, its dividend-growth rate had been higher in the past. However, its dividend yield was also lower at that time.

Now, the dividend stock can be viewed as a more mature income stock with a massive dividend yield that provides roughly 165% more income than what the Canadian stock market's 2.55% yield offers. Additionally, it continues to hike its dividend. More recent dividend-growth rates from a couple of years ago have been in the 3% range.

The company's payout ratio is closer to the high end than the low end of its target ratio. As a result, based on its DCFPS guidance through 2024, we can safely project dividend growth to be at least 3% through that period.

When and where to buy Enbridge stock

If you don't own any Enbridge stock and want to generate superb income, you can start a position now. According to 23 analysts, the stock is fairly valued — specifically, with a discount of approximately 7.5% from the 12-month consensus price target of just over $55 per share.

Enbridge pays an eligible Canadian dividend. So, the income is favourably taxed if you hold ENB shares in your non-registered or taxable account. If you have room in your TFSA, you can also feel free to park ENB shares there for juicy tax-free income and growth.

You can also place ENB stock in your RESP or RRSP. However, in most cases, it's not as convenient to freely withdraw from these accounts. The RESP is for post-secondary education purposes, while the RRSP is for saving for retirement.

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1. Dividend Stocks
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