Enbridge Stock: This Dividend Heavyweight Could Have a Huge Year

Description

Enbridge (TSX:ENB)(NYSE:ENB) and the broader midstream energy plays could be in for yet another robust year, with energy prices continuing to march higher. Undoubtedly, nobody saw oil making a big run above the US$85 mark when it imploded back in the spring of 2020.

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While Enbridge has been an incredibly volatile and scary name to hold for Canadian value investors since 2015, I think that the tides are finally turning in the company's favour after years of attempting to move forward with profound winds at its head. Enbridge stock used to be the dividend darling that gave you generous raises annually alongside substantial capital gains. As conditions turned against the firm and the industry, the company continued raising the bar on its payout, despite the unfavourable conditions. Indeed, management knew that bad times do not last forever.

The Enbridge stock of old is back?

With the stage set for continued performance as we advance, I think that the Enbridge of old — the one we'd gladly stash at the core of our TFSAs (Tax-Free Savings Accounts) or RRSPs (Registered Retirement Savings Plans) — is back. The energy sector looks unstoppable, and, naturally, the energy transporters will continue raking in considerable amounts of cash flow.

Though there are regulatory hurdles with new projects, I think it's getting hard to ignore free cash flows generated by the pipeline kingpin in a time when real fundamentals and value matter more than ever. Not only does Enbridge have a solid value proposition, but it's well poised to grow its dividend and operating cash flows at a solid rate over time. As growth stocks, speculative plays, and story stocks begin to fade, Enbridge stock and plays like it could become the new momentum plays to own.

If 2022 is the year of the value stock, Enbridge stock could be in for a big run

In prior pieces, I'd pounded the table on shares of ENB, and the beaten-up energy plays in the up and midstream. They were just so unloved. The valuations did not match up to the incredible amounts of cash they generated. Enbridge, a firm that's making money now, could look a heck of a lot more attractive once rates begin to rise. Undoubtedly, the U.S. Fed is ready to raise rates, and once it does, growth stocks and unprofitable story plays could fall into some hot water. While Enbridge isn't a fan of higher rates, given it'll raise its borrowing costs on future projects, it's nowhere nearly as detrimental as it is for most growth companies out there.

Indeed, Enbridge has profits to show for its efforts, not just promises. Further, higher rates could cause a continued rotation into value names. With the Nasdaq 100 flirting with a correction, value looks intriguing again. And in terms of value, it's tough to outdo some of the TSX's top energy stocks.

Bottom line

With a commanding 6.53% dividend yield and a good amount of momentum behind it (up 7% year to date at writing), Enbridge stock is a name that could quickly test new highs by year's end, even if the broader markets knock on the cave of the bear.

Indeed, what's troubling the markets could go mostly ignored by ENB shareholders. Real fundamentals , actual cash flows, and real value are what you're getting in a market where stories of future profit growth are no longer enough.

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Date
2025/08/21
Date Created
2022/01/22
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