Retirees: Here's Why Enbridge (TSX:ENB) Is a Must-Have for Passive Income

Description

The emergence of the coronavirus and strict government lockdowns across the globe to curb its rapid spread weighed heavily on energy companies' financial and operating performance. Not only did it wipe out demand, but the plunge in oil prices also pressured margins and dividend payouts.

Amid challenges, several companies, including **Suncor Energy**, announced a cut in their dividends to remain afloat. However, **Enbridge** (TSX:ENB)(NYSE:ENB) continued to pay and increase its dividend, despite the challenging operating environment. Let's consider why retirees should bet on Enbridge stock to generate regular passive income amid all market conditions.

A look at Enbridge's dividend history

The strength and resiliency of Enbridge's payouts are well reflected through its solid track record of dividend payment and growth. For context, Enbridge has been regularly paying dividend for nearly 67 consecutive years. Furthermore, Enbridge consistently increased it for 27 years, which is encouraging.

While Enbridge has consistently enhanced its shareholders' value through increased dividend payments, its dividend-growth rate has surpassed its peers. For instance, Enbridge's dividend has a CAGR of 10% in the last 27 years. Moreover, it has increased at a CAGR of about 13% since 2008.

In comparison, **Pembina Pipeline** has raised its dividend at a CAGR of 5% over the past decade. Moreover, **TC Energy's** dividend has increased at a CAGR of 7% over the last 22 years.

However, like Enbridge, TC Energy has also paid and raised its dividend amid the pandemic. Meanwhile, Pembina maintained its dividend, despite a challenging operating environment.

The future looks bright for Enbridge

The current demand and price environment are supportive of Enbridge's growth and indicate that it could continue to boost its shareholders' returns through dividend hikes and share buybacks.

Enbridge's diverse cash streams, recovery in mainline volumes, steady end-user demand, and high asset utilization rate will drive distributable cash flows.

Furthermore, benefits from the projects placed into service, strong secured capital program, acquisitions, and expansion of renewables capacity bode well for future growth.

Its long-term contractual framework, strength in the core business, inflation-protected EBITDA, and productivity savings suggest that its payouts are safe.

Enbridge is confident of achieving 5-7% growth in its distributable cash flow per share in the medium term. This implies that investors could expect Enbridge's future dividend to grow roughly at a similar pace. Furthermore, Enbridge targets a payout range of 60-70%, which is sustainable in the long run.

Bottom line

The sharp recovery in oil prices supported by underinvestment in new supply and Russia/Ukraine conflict could continue to benefit energy companies, including Enbridge.

It's worth mentioning that Enbridge offers an attractive dividend yield of 6.2%. Further, its payouts are well protected and sustainable in the long term. Thus, investors can easily rely on Enbridge stock to earn a steady passive income that could grow in the future.

What's more? By investing $100K in Enbridge stock at current levels, investors can earn $6,200 per annum or about $517/month.

Enbridge stock has been resilient so far this year. Moreover, its forward EV/EBITDA multiple of 12.8 compares favourably to its historical average and is lower than the pre-pandemic levels.

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