The Best Energy Dividend Stock for a Lifetime of Passive Income

Description

Do you want to generate handsome passive income for your lifetime without worrying about market cycles and economic downturns? If yes, you must start saving money right away to invest in quality dividend stocks. While not all businesses have a solid financial base to keep paying dividends in tough economic times, some well-established companies with predictable cash flows manage to navigate through tough times without cutting or discontinuing their dividends.

In this article, I'll highlight one of the best TSX dividend stocks that long-term investors can consider buying right now to generate reliable passive income as long as they want.

Enbridge: The best dividend stock for passive income

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian energy infrastructure and transportation giant with a market cap of about $107 billion. While its stock has seen about 11% value erosion in the last 10 days, it is still trading with 8.5% year-to-date gains at $52.94 per share.

This Dividend Aristocrat currently has a yield of around 6.5%. While many dividend stocks either cut or temporarily discontinue paying dividends in tough economic times, Enbridge's outstanding record in this regard sets it apart from others. The Canadian energy company has consistently been increasing its dividends for the last 27 years — irrespective of economic cycles and tough market environments.

For example, Enbridge raised its annual dividends by about 10% in 2020, despite facing COVID-driven challenges. This is one of the reasons why I consider ENB the best Canadian dividend stock for long-term investors who wish to get reliable passive income. Now, let me give you some more reasons.

Solid financial and dividend growth trends

As the global pandemic caused a massive selloff in the prices of energy products with fears about a sharp decline in demand, Enbridge's total revenue fell by 22% YoY (year over year) in 2020. That year its adjusted earnings stood at $2.42 per share — down 9% YoY. Nonetheless, as the business environment for the energy sector improved significantly the next year, its adjusted earnings rose by 13% YoY in 2021, crossing its pre-pandemic annual earnings level.

Despite facing challenges during the pandemic phase, its total revenue increased 36% in the last five years. Similarly, its adjusted earnings rose 21% in the five years between 2016 and 2021. More importantly, Enbridge raised its dividend per share by nearly 58% during this period.

Efforts to accelerate growth further

Enbridge's overall energy transportation business is highly profitable and predictable. In the last couple of years, its adjusted net profit margin remained in the range of 11.8% to 12.5%. Nonetheless, the company is still making efforts to accelerate its financial growth and expand profitability further.

In September 2021, the Canadian energy giant acquired North America's premium crude oil export terminal Moda Midstream Operating in a deal worth US$3 billion. This deal is likely to advance Enbridge's U.S. gulf coast strategy.

In May this year, the company announced that it would develop a low-carbon hydrogen and ammonia production and export facility in partnership with the American energy company Humble Midstream. Apart from these initiatives, Enbridge is also expanding its renewable energy operations, as the demand for clean energy continues to soar.

Foolish bottom line

Its solid financial growth trends, robust cash flows, strong balance sheet, and impressive future growth prospects make Enbridge the best dividend stock to own, in my opinion. Its strong dividend growth could help long-term investors generate stable passive income as long as they want. That's why a recent double-digit dip in its share prices could be an opportunity to buy it at a bargain.

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