
The Best Energy Dividend Stock for a Lifetime of Passive Income

**Description**



The emergence of coronavirus and its impact on the economy took a massive toll on the operational and financial performances of energy companies. Notably, the pandemic wiped out demand, resulting in a significant decline in commodity prices.

However, widespread vaccinations and easing restrictions led to a spike in economic activities and a stellar rebound in crude prices. Moreover, underinvestment in new supply amid the pandemic and disruptions from the war in Europe further drove crude and gas prices higher.

Higher price realizations and steady demand augur well for the profitability of the energy companies. Notably, most energy companies are focusing on reducing debt, strengthening their balance sheets, and returning cash to their shareholders through dividends and share repurchases.

Amid a favourable operating environment and solid energy outlook, investing some of your surplus in top energy companies is prudent to generate a lifetime of passive income.

Among the top energy stocks, **Enbridge** (TSX:ENB)(NYSE:ENB) attracts the most. Its solid dividend payment, growth history, and high yield make it a must-have stock to generate worry-free passive income. While its payouts and yield are attractive, what stands out is its ability to consistently pay the dividend, irrespective of the market conditions.

It is worth mentioning that Enbridge not only paid but also increased its dividend during the pandemic, which highlights the strength of its business model and resiliency of cash flows. While Enbridge's dividend payment history is strong, let's look at the factors that will drive its future payouts.

## Growth drivers

Its solid mix of conventional and renewable energy assets positions it well to capitalize on the strong energy demand. Enbridge is on track to bring multi-billion capital into service in the near future and is advancing on organic growth opportunities. This provides a strong foundation for long-term growth and will likely drive its earnings and payouts.

Further, Enbridge is focusing on modernizing our assets, strengthening its export strategy, connecting LNG facilities, and expanding renewable power-generation capabilities. All these measures bode well for growth.

Enbridge owns over 40 diverse sources of revenue. Further, most of its earnings are backed by contractual arrangements, which help generate predictable cash flows. Additionally, about 80% of its EBITDA is inflation protected, and nearly 90% of its customers are investment grade.

Sector tailwinds, its strong capital program, strength in the core business, acquisitions, productivity savings, and robust balance sheet position it well to deliver strong cash flows to support its dividend payments.

## Bottom line

Enbridge has paid dividends for about 67 years. Meanwhile, Enbridge's dividend has increased at a CAGR of 10% since 1995. Further, its target payout ratio of 60-70% is sustainable in the long run.

Looking ahead, the company expects to increase its distributable cash flow per share by 5-7% in the medium term, indicating that its dividend will grow at a similar rate in the future.



Investors can earn a stellar dividend yield of 6.4% by investing in Enbridge stock. This indicates that a $10K investment in Enbridge stock would fetch you a passive income of $640 per annum.

**CATEGORY**

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