Enbridge (TSX:ENB) Stock Just Keeps on Giving With a 6.55% Yield

Description

The energy sector has powered the TSX for the most part of 2022 due to higher oil prices. However, because of weaker economic outlook and a potential slowdown of the global economy, oil markets are tightening, and prices are falling. Members of the petroleum exporting countries, or OPEC+, won't allow such a crisis to persist.

A production cut of two million barrels per day occurred when OPEC+ met on October 5, 2022. Oil prices have risen to more than US$100 per barrel in July before falling to mid-$80s per barrel recently. Stock investors are edgy because of this new development plus other headwinds like rising inflation and interest rates.

But despite the heightened volatility, one of Canada's top blue-chip stocks continues to impress with its dividends. **Enbridge** (TSX:ENB)(NYSE:ENB) just keeps on giving monster dividends. If you invest today, the yield is 6.55%. Also, at $53.26 per share, the generous dividend payer is beating the market year to date at +12.19% versus -8.73%.

Best in the lot

Enbridge is unquestionably the best in the lot if you want exposure to the energy sector. The $105.23 billion energy infrastructure company is in the league of the Canadian big bank stocks in terms of financial strength and stability. Consistency is also the hallmark of this premier dividend stock. Its dividend-growth streak is 27 consecutive years and counting.

The base business consists of four blue-chip franchises, namely Liquids Pipelines (58%), Gas Transmission (26%), Gas Distribution (12%), and Renewables (4%). According to management, it maximizes the value of the businesses through a continuous focus on synergies. The diversified asset base assures generation of sustainable organic growth and return of capital to shareholders.

Utility-like cash flows

Enbridge is a cut above the rest for its diversified pipeline-utility model. Besides the low-risk commercial model, the utility-like cash flows are highly predictable. Moreover, management is confident that its assets will continue to generate reliable and growing cash flows for decades.

Rising interest rates and its impact on energy services are headwinds for the energy stock. However, Enbridge can offset them through strong tailwinds like operating performance and system utilization. Moreover, the base business has built-in revenue escalators. Enbridge is likewise spot on with its financial guidance in each of the last 16 years and 2022 won't be an exception.

Its president and chief executive officer Al Monaco said, "Through the first months, we're tracking to plan and are on target to achieve our full-year EBITDA [earnings before interest, taxes, depreciation, and amortization] and DCF [distributable cash flow] per share guidance." The targets are between $15 billion and $15.6 billion for adjusted EBITDA and DCF per share of $5.20 to $5.50.

Invest and stay invested

Risk-averse investors should have the confidence to invest and stay invested in Enbridge for years to come. Assuming you purchase 500 shares today ($26,630), you can generate $436.07 every quarter. The passive income could be for life if you hold the stock and not sell at all.

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