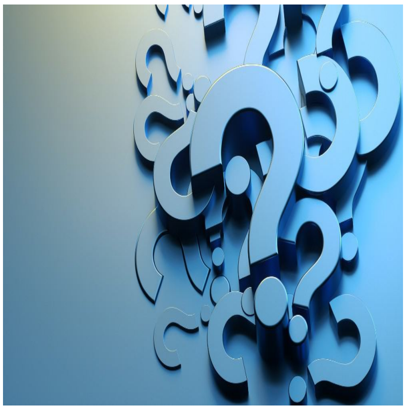

Enbridge (TSX:ENB) Stock Fell 6% in September: Should You Buy?

Description

While markets continued to witness large swings over the last few months, Canada's top energy midstream stock **Enbridge** (TSX:ENB) fared relatively better. It lost 6% in September, while peer TSX energy names lost 15% in the same duration. Enbridge's decline is not a significant move, particularly in these markets. However, investors can lock in a super-juicy yield at these depressed levels and can reap the benefits for years.

Why ENB stock stands out

Enbridge's outperformance compared to its peers is what makes it stand tall in uncertain markets. Oil and gas producer stocks have a strong correlation with energy commodity prices. When oil and gas prices rise, upstream companies increase their production as an incentive for higher earnings.

However, energy pipeline companies like Enbridge do not have a strong correlation with oil and gas prices. Even if they fall, midstream companies see little impact on their earnings. As a result, ENB stock fell only 6% when oil prices tumbled by 12% last month.

Earnings growth and growth prospects

Enbridge's earnings and dividend stability are particularly attractive in uncertain markets. It derives a large portion of its earnings from long-term, fixed-fee contracts. So, even if oil prices fall or the broader economy takes an unpleasant turn, its earnings do not suffer significantly. As a result, its revenues and earnings have grown by 6% and 18%, compounded annually in the last decade, respectively.

Such stable financial growth was effectively translated into dividend growth. Its dividend has grown by 13%, compounded annually in the same period. ENB currently yields 6.6%, which is way higher than other TSX stocks. It has increased its dividend for the last 27 consecutive years, indicating the reliability of its dividend profile.

Enbridge generates 58% of its earnings from liquids pipelines, 26% comes from gas transmission, while the rest comes from gas distribution and renewables. It plans to invest $3-$4 billion annually in capital projects. These mainly include regulated utility and gas investments that will likely accelerate its organic growth. The projects are expected to enable distributable cash flow per growth of 5-7% annually, at least through 2024.

Enbridge recently announced the acquisition of Tri Global Energy for $270 million. It is the third-biggest onshore wind developer in the U.S. and has 8.7 gigawatts of projects under construction or operating. Enbridge currently derives a small portion of earnings from renewable operations. The recent acquisition should help it achieve that feat.

Conclusion

If you are looking for a relatively safer option in the energy sector, ENB stock is an apt bet. Its earnings visibility and dividend stability make it an appealing investment option for the long term. If you are a get-rich-quick kind of investor, Enbridge may not be a suitable pick for you. However, if you are a patient investor with more than five years of investment horizon, its decent passive income and total-return prospects will likely reward you in a big way.

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