The Best Energy Dividend Stock for a Decade of Passive Income

Description

Canadian investors need not look elsewhere to find dividend stocks that can produce rock-steady, uninterrupted passive income streams. The **Toronto Stock Exchange** (TSX) is home to several blue-chip companies with outstanding dividend track records in various sectors.

If you're picking from the red-hot energy sector in the last two years, **Enbridge** (TSX:ENB) is the best energy dividend stock. The $109.3 billion energy infrastructure company is a no-brainer choice and a no-nonsense investment. With a mouth-watering dividend yield, you can hold the stock and never sell it to earn passive income for a decade or more.

10-year holding period

Enbridge currently trades at $53.97 per share (+16.22% year to date) and pays a 6.62% dividend. Assuming you purchase 1,000 shares ($53,970 investment), the following is your potential earnings in the first year:

Company	Price	No. of Shares	Dividend per Share	Total Payout	Frequency
ENB	$53.97	1,000	$3.36	$3,356.93	Quarterly

Let's assume further a holding period of 10 years beginning from January 1, 2023. The final balance after a decade is $104,064.41, including the reinvestment of dividends. Thus, the profit from dividends is $50,094.41. If the dividend yield is constant at 6.62%, you'll receive $1,632.20 every quarter from Enbridge starting in 2034.

Business Snapshot

Enbridge operates in North America's oil and gas midstream industry. Its legacy assets consist of liquids pipelines, natural gas pipelines, and gas utilities and storage facilities. The fourth and blossoming blue-chip franchise is the renewable energy platform.

Currently, Enbridge moves almost 30% of the crude oil produced in the region and transports about 20% of the natural gas consumed in the United States. Its natural gas utility is also the third-largest in North America by consumer count. Last, its offshore wind portfolio is relatively new but growing.

Management takes pride in Enbridge’s industry-leading low-risk commercial and financial profile. The $109.3 billion diversified energy company has a utility-like business model and generates predictable cash flows in all market cycles.

Nearly 98% of cash flows are underpinned by contractual arrangements, while 80% of EBITDA (earnings before interest, taxes, depreciation, and amortization) has built-in inflation protection.

Tailwinds and headwinds

Enbridge is a high-quality investment but isn’t immune from market volatility. Management knows the weakening macroeconomic environment and sees higher power costs, rising interest rates, and cash taxes as transitory headwinds. However, utility customer growth and escalating rates, gas transmission rate increases, and new capital assets in service can offset these threats.

Furthermore, the total secured capital program of $17 billion for the four blue-chip franchises from 2022 to 2025 assures strong business performance. According to management, Enbridge’s capital allocation priorities are:

1. Protecting and maintaining a strong balance sheet
2. An equity self-funding model
3. Disciplined allocation of free cash flow (FCF)
4. Return of capital.

Superior dividend growth

Investors choose or invest in Enbridge for superior dividend growth over the long run. The best energy dividend stock has raised its dividends for 27 consecutive years. In 46.9 years, the total return is 55,572.9%, for a respectable 14.4% compound annual growth rate (CAGR).

Expect Enbridge to keep generating reliable and growing cash flows for decades based on its diversified business mix and operating synergies.

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