Could Enbridge Be a Big Winner in 2023?

Description

Enbridge (TSX:ENB) delivered solid total returns for investors in 2022 when many stocks had a negative year due to the market correction. Self-directed Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA) investors are now wondering if Enbridge is a good stock to buy for 2023.

Enbridge overview

Enbridge is a leading player in the North American energy infrastructure industry. The company has oil pipelines that move nearly a third of the oil produced in Canada and the United States. These assets are strategically important for the smooth operation of the Canadian and U.S. economies. Producers have to get their product to storage sites, refineries, and export terminals.

The challenges involved in receiving approvals to build new large pipelines make the existing infrastructure more valuable as oil demand is expected to grow in the coming years. Airlines are announcing large orders for new planes to meet rising travel demand and commuters are hitting the highways again after nearly three years of working from home.

Energy security has become a major driver of new demand for North American oil and natural gas. Enbridge sees long-term opportunities in the export market and is making investments to capitalize on the shift. The company spent US$3 billion in 2021 to purchase an oil export terminal in Texas. Last year, Enbridge acquired a 30% stake in a new liquified natural gas (LNG) development in British Columbia.

Natural gas distribution utilities and renewable energy facilities round out the portfolio. Enbridge is also getting involved in emerging segments, including hydrogen and carbon sequestration.

Enbridge trades near $56 per share at the time of writing. This is off the 2022 low around $49 but still short of the 12-month high close to $59.50.

Earnings

Enbridge is expected to announce earnings for the fourth quarter of 2022 on February 10, 2023. The first three quarters of the year delivered solid results, and Enbridge said it was on track to hit its full-year earnings before interest, taxes, depreciation, and amortization (EBITDA) target of $15.0 to $15.6 billion during the November 30 investor presentation.

For 2023, Enbridge expects EBITDA to be $15.9 billion to $16.5 billion. Distributable cash flow (DCF) per share is expected to be $5.25 to $5.65, which is above the 2022 guidance range.

Overall, Enbridge appears positioned to deliver another solid financial performance, even as the global economy faces headwinds.

Dividends

Enbridge raised the dividend by 3.2% for 2023. The increase marks the 28th consecutive annual dividend hike. Enbridge has a $17 billion capital program on the go that should help boost cash flow in the medium term. The company's size gives it the financial firepower to make additional strategic acquisitions to drive future revenue and cash flow growth.

At the current share price, investors can pick up a 6.3% dividend yield.

Is Enbridge stock good to buy now?

Enbridge pays an attractive dividend that should continue to grow in the coming years. Based on the guidance for EBITDA and DCF growth this year it wouldn't be a surprise to see the stock drift above $60 before the end of 2023.

Additional volatility could hit the market over the coming months, but Enbridge should be a solid pick to ride out a recession and deserves to be on your radar for a TFSA or RRSP portfolio focused on top dividend stocks.

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