Beat the TSX With This Unstoppable Dividend Stock

Description

Enbridge (TSX:ENB) is looking like an unstoppable dividend stock that deserves a spot on everyone's income watch list. The stock has consistently delivered a high-yield dividend payout for decades. Now, its cash flows have been secured for several years, which means shareholders can expect even more rewards ahead.

The stock shed more than 20% in market level from its 2022 highs to finish the year flat. The deep pullback has left the stock trading at a discount relative to its solid underlying fundamentals. Here's why Enbridge could have a better year ahead and potentially outperform the TSX Index.

Energy outlook

Enbridge is an energy infrastructure company. The Calgary-based firm is a major player in the North American energy industry. Its oil pipeline moves 30% of all crude oil in North America. It also provides most of the refineries with the feedstock needed to produce gasoline, jet fuel, and diesel fuel. Additionally, the company moves refined products from storage locations to wholesale and retail locations across the two countries.

Management is focused on growing the export business as Europe's pivot away from Russian energy has opened up an immensely lucrative opportunity. Consequently, they have acquired an oil export terminal in Texas. In Canada, Enbridge has acquired a 30% stake in a new liquefied natural gas facility in British Columbia.

The expansion drive should offer support to the company's financials which have remained resilient amid the collapse in oil prices. In the third quarter, the company delivered earnings of $1.4 billion — an improvement from $1.2 billion the previous year. In addition, distributable cash flow rose to $2.5 billion compared to $2.3 billion in the third quarter of 2021.

Enbridge's 6.7% dividend yield makes it every investors' dream stock for passive income The company has increased its dividend for 28 consecutive years. Now, management expects dividend growth of roughly 5% for the foreseeable future. As demand for North American oil and natural gas continues to grow, the company is well positioned to benefit.

The company is also building its renewable energy portfolios, as it diversifies its footprint. In recent years, the company has invested in several onshore and offshore wind farms, solar energy facilities, and geothermal power plants across Europe and North America.

Altogether, the company's green portfolio has the potential to deliver 5,192 megawatts (MW) gross of zero-emission energy. That gives the company one leg in the future, as the world's energy transition gets underway.

Bottom line

The energy infrastructure business is far more reliable and profitable than producing oil or gas. After decades of investment, Enbridge now sits on a sizable network of pipelines across North America. That's a durable moat, which has generated immense cash flow for the company and allowed management to raise dividends every year for three decades.

Investors should expect more dividend growth ahead. Keep an eye on this stock.

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Date

2025/06/27

Date Created

2023/02/19

Author

vraisinghani