



This Company Hasn't Missed a Dividend Payment Since 1953

Description

pipeline bigger pipeline type unknown

The secret to identifying wonderful businesses is to ask yourself one simple question:

"Can I easily imagine this business will exist 50 or even 100 years from now?"

While technology companies like **BlackBerry** have to invent the next gee-whiz gadget every year, wonderful businesses don't. In the same sense, wonderful businesses don't deal in subprime debt swaps or other financial mumbo-jumbo.

The most successful companies are the ones that we see every day. They are so integral to our way of life that if they disappeared tomorrow it would have a direct impact on how we live.

Case in point: **Enbridge** ([TSX: ENB](#))([NYSE: ENB](#)).

Enbridge is vital to daily life. The company owns 25,400 kilometres of oil and gas pipelines and heats two million homes. Without the commodities Enbridge ships through its network, our lives would be drastically different.

That means Enbridge sees consistent demand for its services, and the cash flows the company generates are just as consistent. Enbridge charges a fee for every barrel of oil and gas that flows through its network. So while energy prices may fluctuate widely, the *volume* of product being shipped stays remarkably steady year to year.

Shareholders can likely count on this steady cash flow for decades to come. Pipelines have proven themselves since the 1860s, when they became a cheaper alternative to shipping oil by rail or river barge. Even today, trucks and railroads can't compete once a pipeline is in place.

This fact in itself would lend pipelines a wide competitive advantage; the only true competitor to a pipeline is another pipeline running alongside it. However, pipelines rarely face direct competition. Pipeline right-of-ways and regulatory approvals are expensive and difficult to obtain.

While pipelines are the most attractive asset in the company's portfolio, they're not the only one. Terminal and storage facilities, though not quite monopolies, generate solid returns and predictable cash flows. Given that the company's gas distribution and power generation businesses are regulated, Enbridge is almost guaranteed to earn a respectable return on investment.

Of course the true test of a wonderful business is how it fares during times of uncertainty. Since the company declared its first cash distribution in 1953, Enbridge has never failed to mail out a dividend cheque to shareholders. In fact, the firm even managed to raise its dividend during financial crisis in both 2008 and 2009 and has increased its payout by 205% over the past decade.

While there are no sure things in investing, Enbridge shareholders can likely count on those dividends cheques to keep rolling in for another 60 years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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