# 3 Reasons to Buy and Hold Enbridge Inc.

## Description

Scan the top holdings of dividend funds and this name pops up over and over: **Enbridge Inc.** (TSX: ENB)(NYSE: ENB). The company has become a core holding for Canadian income investors, and it's not hard to see why.



Enbridge is your classic Forever Stock: a giant, cash-rich business that has rewarded shareholders for generations. Since 1953, the company has delivered steady dividend income to its investors, which has translated into impressive compounded returns. So if Enbridge isn't in your portfolio already, here are three reasons to buy and hold this stock.

### 1. Monster moat

When Warren Buffett is asked what is the most important trait he looks for in a business, his answer is always the same: a protective moat. A moat is some sort of competitive advantage that allows a business to earn excess returns for shareholders. In the same way a trench protected medieval castles from attackers, a wide moat protects the business from rivals.

Enbridge has dug a moat around its business a mile wide and filled with angry mutant sharks. The company's main operations — oil pipelines and power transmission — are natural monopolies. It just doesn't make sense to have two competitors serving the same market.

In addition, Enbridge has more than 2 million customers in its gas network. There aren't exactly two sets of pipes routed into your house. If the company is in your neighbourhood, you're paying Enbridge for delivery. This means it can earn juicy profits for decades without the worry of competitors eating into margins.

### 2. Dependable dividends

Pipelines don't care about recessions or wars. They require almost no maintenance or labour. Buried deep underground, pipelines just sit there delivering crude and spitting out cash flow.

Enbridge is your ultimate toll road business. The company charges a fee on every barrel that flows through its network. So while energy prices can be incredibly volatile from year to year, the actual volume of crude being transported through the company's pipelines is remarkably consistent.

That means Enbridge can generate cash flows that are so steady they resemble bond coupons. This has allowed the company to pay shareholders an uninterrupted dividend for over 60 years.

**3. Gargantuan growth**

North America is in the midst of an energy revolution. Billions of barrels of previously unrecoverable oil and gas are now being pulled out of shale fields across the continent thanks to new technologies like horizontal drilling and hydraulic fracturing. By some estimates, North America could become energy independent by 2020.

Companies that collect, store, and move all of these energy products are poised to make a fortune. Enbridge is positioned to do exactly that. The company already has dozens of projects slated. This will include thousands of miles of pipeline extensions and new processing facilities to accommodate surging shale production.

In total, Enbridge has over $36 billion in expansion initiatives — about 75% of its market capitalization — on the books through 2017. That tailwind should allow the company to grow earnings (and by rough extension dividends) at a double-digit annual clip over the next decade.

The bottom line, when you own a stock like Enbridge, you no longer have to worry about inflation, recessions, or flash crashes. This company is so reliable, you can literally hold it for the rest of your life. My advice: Buy it, forget about it, and let this stock make you rich.



**CATEGORY**

1. Investing

**TICKERS GLOBAL**

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

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