



## Why Enbridge Inc. Is a Great Buy No Matter the Price of Oil

### Description

Sometimes people can make a lot of money investing in a resource-service business rather than in the actual resource. Oil is a really great example of this. Oil prices are all over the place and investors are losing tons of money. Yet despite this, you can make plenty of money investing in services built around the resource.

When the price of oil goes up, it needs to be shipped. And when the price of oil goes down, it needs to be shipped. No matter what the price is, oil needs to get from the well to the refinery so that it can be processed.

Therefore, the one company that I have my eye on right now is **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)). This is a great company because no matter what, it makes money.

### It's a tollbooth type of business

Enbridge runs pipelines. Like crossing a bridge and paying the toll, Enbridge operates the same way. For every barrel of oil that flows through the pipeline, the company charges a toll.

But just like a toll, the price doesn't change just because the economy gets rough. Enbridge has long-term contracts that were signed with its suppliers when oil prices were high. And these contracts stipulate a flat fee per barrel that flows through the pipeline.

That means it is able to generate significant amounts of cash flow, even when the actual oil companies are suffering from low oil prices.

This tollbooth business is also really hard to replicate. We've seen how politics factors into the creation of new pipelines, so having new competitors sprout up is not a realistic outcome. This gives Enbridge a serious moat.

### That means great dividends

Because the company is able to generate significant cash flow with a comfortable, protective moat, it is

able to pay a really lucrative dividend to its investors.

While 2.9% isn't as amazing as some 9% yields we've seen, what makes this dividend so lucrative is the growth potential. Over the past 18 months, Enbridge has hiked the dividend twice, increasing it over 50%.

And that's not likely to stop. Analysts predict that the company could grow 10-12% a year. If the company continued to be generous with its dividends, we could see the dividend grow by that same amount yearly. So, over the long term, this dividend is going to be really incredible.

## CATEGORY

1. Energy Stocks
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1. Editor's Choice

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2. TSX:ENB (Enbridge Inc.)

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