



The 9% Drop in Enbridge Inc. Makes for a Great Buy

Description

Since the end of April **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) has experienced a 9% drop from its all-time high of \$65.85. Then on May 6th the company announced its first-quarter earnings, which resulted in even more negative reactions toward the company. But for those investors that wait for opportunities exactly like this, you must be jumping for joy.

Enbridge is one of the top transporters and distributors of crude oil and natural gas. Through its many different pipelines, it transports oil to the refineries around the country. This, in my opinion, is an amazing business model because it is able to generate revenue irrespective of the price of oil. That revenue might fluctuate some depending on how much oil producers are shipping, but if oil is coming out of the ground, it needs to get to its final destination.

But just because it is a great business doesn't mean that investors have to hold it even when times get tough. The drop in value in the past few weeks is not entirely unexpected, so for those that might not hold with the long term in mind, getting out after a bad quarter isn't a terrible idea. However, I'm a proponent of buying great companies and holding them for a long time. You should be looking at this 9% drop as a gift.

Analysts expect that the earnings per share in fiscal 2016 will be \$2.62, which represents lucrative growth for the company. Because of this, the forward P/E is a reasonable 22.77, which is significantly lower than the stock tends to trade at. This leads me to believe that if the company does continue to reach its goals for earnings, the stock could really reward investors with capital gains in the coming years.

And there's little reason to doubt its ability to grow. While the oil market is experiencing some problems right now, demand continues to rise. If that demand continues to get bigger, Enbridge is going to be able to grow its earnings as oil suppliers rush to get more oil around the world.

However, it's not just about the capital gains with this company. It is one of the strongest dividend-growth plays in the market. Enbridge has increased its dividend every year since 1996. On top of that, it has paid a dividend consistently since 1953. Between the number of years it has paid and how many

years it has given investors a pay raise, I'm really a fan of this company's yield. Its current dividend is \$1.86/share, which is a little over 3%.

When to Buy?

When it comes to great dividend-growth companies, I'm not one to try to time the trade. You're going to get paid one way or the other, so why miss out on having your money deployed? The next dividend is going to be paid out on June 1 to shareholders of record at the close of business today, May 15th.

But if you're one that likes to get a better price, you might want to wait to see what happens. The price could drop more, giving you the potential to increase your total shares and your overall returns. Your strategy is up to you.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

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

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