



3 Reasons Why Enbridge Inc. Is the Top Pipeline Stock to Buy Today

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)), one of world's leading transporters and distributors of crude oil and natural gas, has been one of the market's top performing energy stocks in 2015, rising nearly 3%, and I think it could continue much higher from here. Let's take a look at three of the primary reasons why this could happen and why you should be a long-term buyer today.

1. An integral part to the world's energy industry

Enbridge is one of the world's leaders in the transportation, distribution, and storage of crude oil, natural gas, and other commodities. Here's a quick summary of its largest operating segments:

1. **Liquids pipelines:** Enbridge is home to the world's longest crude oil and liquids transportation system, with over 15,000 miles of crude oil pipelines across North America. These pipelines delivered more than 2.2 million barrels of oil per day in the first quarter, an increase of 16.1% from the year-ago period.
2. **Gas distribution:** Enbridge owns Canada's largest gas distribution utility, serving more than two million customers in Ontario. It also owns St. Lawrence Gas, which serves residential, commercial, and industrial customers in upstate New York. In the first quarter the company's gas distribution volume increased 2.4% year over year to 217 billion cubic feet.
3. **Crude oil storage:** Enbridge has a significant and growing presence in the North American crude oil storage industry, with over 52.5 million barrels of storage capacity today.

2. The stock trades at inexpensive forward valuations

At today's levels Enbridge's stock trades at just 28 times its median earnings per share outlook of \$2.20 for fiscal 2015 and only 23.2 times analysts' estimated earnings per share of \$2.65 for fiscal 2016, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 39.4.

I think Enbridge's stock could consistently command a fair multiple of at least 32, which would place its shares upwards of \$70 by the conclusion of fiscal 2015 and upwards of \$84 by the conclusion of fiscal 2016, representing upside of more than 13% and 36%, respectively, from current levels.

3. A strong track record of increasing its dividend

Enbridge pays a quarterly dividend of \$0.465 per share, or \$1.86 per share annually, giving its stock a 3% yield at today's levels. The company has also increased its dividend every year since 1996, and it expects to increase it by 14-16% annually through 2018, making it one of the top dividend-growth plays in the market today.

Should you invest in Enbridge today?

I think Enbridge represents one of the best long-term investment opportunities in the market today. It is the leader in several industries in the energy sector, its stock trades at inexpensive forward valuations, and it has shown a strong dedication to increasing its annual dividend payment. Foolish investors should take a closer look and strongly consider making Enbridge a core holding.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date

2025/09/23

Date Created

2015/05/20

Author

jsolitro

default watermark