



## Should Investors Buy Enbridge Inc.?

### Description

There are three ways to get oil and natural gas around the country: rail, truck, and pipeline. Truck is inefficient and really should only be used for the last mile. Rail is sufficient, but has to compete with other goods that need to be transported. Pipeline, on the other hand, is a dedicated delivery mechanism that gets oil and natural gas from point A to point B. There are no other goods competing for this space.

This makes pipelines one of the most efficient means for the oil suppliers across Canada to get their oil to refineries and processing plants. **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is one of the most popular and largest pipeline companies in Canada. And all things considered, it might very well be one of the best companies that investors can own right now.

There are three reasons investors should like Enbridge.

First, it is virtually impossible for anyone else to come along and launch their own pipeline business. Consider how much political fighting there has been just to get Keystone XL launched. Imagine a new contender coming along and trying to launch hundreds of miles, if not thousands of miles, of pipe. It would never happen.

This means that Enbridge has a significant mote to work with. I like the companies that I invest in to have a defensive position. All too often, an older company gets disrupted by a smaller one. With Enbridge, that's not as likely.

The second reason has to do with its business model. Its business is not directly tied to the cost of the commodity that it ships. While low oil prices could put some strain on Enbridge over the long term, in the short to mid term, I don't expect that to occur. It charges a flat fee per barrel to transport the commodity.

The final reason has to do with its dividend. It really does pay a lucrative yield to its investors. Based on its current price, Enbridge yields a 3.72% dividend. Investors will receive \$0.47 per quarter, which is pretty sweet. However, Enbridge is also expected to increase its dividend by approximately 8-10% every year until 2018. I believe in receiving a pay raise from my job, and investors should get a pay

raise from the companies that they own.

### Time to buy?

Enbridge is a growing company. It pays lucrative dividends and has a moat that is nearly impenetrable. One concern that has many value investors concerned is the fact that it trades at 217x its earnings. However, because the company is still growing, I think that buying this company now wouldn't be a bad idea. And if oil prices do return to previous levels, I expect there will be an emotional reaction that sends Enbridge shares up.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

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

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