



Did Enbridge Inc. Just Become a Must-Own Investment?

Description

Enbridge Inc.'s ([TSX:ENB](#))([NYSE:ENB](#)) CEO Al Monaco made one thing clear to investors recently. While his company is not actively pursuing deals, the company “won’t hesitate to go after them” if the right opportunity came along.

Clearly, it saw one such opportunity in **Spectra Energy Corp.** ([NYSE:SE](#)), which it agreed to acquire last week. In doing so, the company will become the largest energy infrastructure company in North America and, in its view, a “must-own investment.”

Here are six reasons why the company believes that every investor needs its stock in their portfolios.

Quality

Enbridge believes that it will soon control the “highest-quality liquids and natural gas infrastructure assets in North America.” Driving this view is the fact that the combined company’s asset base stretches across all the major North American supply basins and demand markets. While rivals like **Kinder Morgan** ([NYSE:KMI](#)) and **TransCanada** ([TSX:TRP](#))([NYSE:TRP](#)) can make similar claims, Enbridge will be the largest energy infrastructure by size once this deal closes early next year.

Visible growth

Not only will Enbridge be the biggest company by current size, but it boasts the “largest and most secure program of diversified organic growth projects in the industry.” Currently, Enbridge has \$26 billion in capital projects under construction, which is \$3 billion more than TransCanada and \$9 billion more than Kinder Morgan.

Ample upside

In addition to the \$26 billion of projects already under development, Enbridge has another \$48 billion of identified development projects, across the company’s six growth platforms:

- North American liquids pipelines

- North American gas pipelines
- Utilities
- Canadian Midstream
- US. Midstream
- Renewable power

Enbridge's investments in renewable power in particular set it apart from its rivals. Not only does Enbridge have \$1 billion in renewable projects under construction, but it has another \$9 billion of potential projects under development. Given the growth projections of renewable power, this could be an even bigger growth driver of the company in the years ahead.

Open access to capital

Enbridge and Spectra both have strong investment-grade credit ratings, which gives them ample access to capital. That is critical considering that Kinder Morgan, for example, had to cut its dividend and halt some growth projects because it could not obtain outside capital during the worst part of the current downturn due to its weaker credit rating.

Enbridge, on the other hand, not only has a strong balance sheet to fund its extensive capital program, but it can [access capital at will](#); it recently filed to raise \$7 billion just to have additional flexibility.

Stable underlying business

The foundation of Enbridge and Spectra are their "secure, low-risk commercial structure with stable long-term cash flow visibility." Overall, 96% of their cash flow comes from stable, predictable take-or-pay contracts or are regulated. Further, 93% of their cash flow comes from customers that are investment grade or have similarly strong balance sheets. This provides cash flow resiliency in all market cycles.

Abundant growth and income

Enbridge also offers investors a compelling combination of current income and long-term growth. Thanks to its robust cash flow from fee-based pipelines, Enbridge pays a solid dividend, which currently yields more than 4%. That payout projects to grow by 15% next year and by an average of 10-12% from 2018 through 2024. That gives the company the ability to deliver a 16% annual total return to investors, which leads its peer group.

Investor takeaway

Enbridge firmly believes that its acquisition of Spectra Energy puts it in an elite class, making it a must-own energy infrastructure investment. The numbers seem to back up that claim; it boasts a larger size, more visible growth projects, additional avenues for future growth, and higher total-return potential.

That doesn't mean investors should sell all of their other energy stocks and buy Enbridge. However, it does at least suggest that investors should at take a look at owning Enbridge for the long term.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:KMI (Kinder Morgan Inc.)
3. NYSE:SE (Sea Limited)
4. NYSE:TRP (Tc Energy)
5. TSX:ENB (Enbridge Inc.)
6. TSX:TRP (TC Energy Corporation)

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