Why Enbridge Inc. is on my Watchlist

Description

If you haven't heard of **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) before, Enbridge is the largest energy distribution and transportation company on the continent, focusing on generating, transporting, and distributing energy.

The company just got a whole lot bigger too, thanks to the recent acquisition of Spectra Energy for a whopping $37 billion. While this recent acquisition plays into why Enbridge is an intriguing investment option, there's plenty to love about the company.

Enbridge gets things done

One of the first things that strikes me about Enbridge is the sheer number of massive projects that the company has. In total, Enbridge has over $26 billion worth of projects that will be coming to fruition over the next two years, and nearly double that amount in various stages of review.

Most of these projects are huge, multi-year undertakings that can employ hundreds of workers. In fact, Enbridge plans to complete $6 billion worth of projects this year alone.

I've already mentioned the Spectra deal which propelled Enbridge into becoming the largest energy company on the continent, but what that deal also did was connect both Spectra and Enbridge assets in a way only a masterstroke deal like this could have.

Between the liquid oil pipelines that Enbridge has and the natural gas assets that Spectra had, the two form a lucrative partnership that will keep providing strong revenue for years to come.

Enbridge rewards shareholders handsomely

Enbridge offers shareholders and impressive dividend that is both growing and sustainable. The current quarterly dividend is set to $0.583 per share, which comes out to a very appetizing yield of 4.07%.

Even better, the current payout level is under 60% of cash flow from operations, which leaves ample room for the myriad of investments and projects the company has.

And thanks to those projects that are underway, as well as the assets from the Spectra Energy deal, Enbridge expects that dividend to continue to grow by at least 10% over the next seven years. Enbridge has already established a precedent by increasing the dividend every year over the past two decades, so an additional increase this year is not entirely out of the question.

Long-term investors of Enbridge are already aware of those increases, which have averaged over 10% annually over the past decade.

In terms of growth, Enbridge currently trades at just over $57, and over the past year, the stock has increased by 9%. Looking out over a longer five-year period shows Enbridge appreciating by over 40%.

In case that’s not reason enough to love this stock, let’s take a moment to mention Enbridge’s business model.

Perhaps one of the most intriguing things relating to Enbridge is the company’s business model. Once a pipeline is completed, Enbridge shifts from construction to more of a toll-booth like operation.

Enbridge’s pipelines are us to transport both oil and natural gas for energy companies, charging those companies a flat fee. That flat fee means that Enbridge can accurately predict costs without being subject to fluctuations in the price of oil.

Even better, Enbridge is investing heavily in renewable energy such as wind power. Earlier this year the company invested $1.7 billion into acquiring a 50% interest in the Hohe See Offshore Wind Project, which has a capacity of 497 MW and is expected to come online within the next two years and operate on fixed pricing for 20 years.

In my opinion, Enbridge is a great investment opportunity for those investors looking for long-term growth with income potential.

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Date
2025/09/22
Date Created
2017/04/27
Author
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