



Buy This Pipeline and its 7.7% Yield Before it's Too Late

Description

Enbridge Income Fund Inc. (TSX:ENF) is a holding company whose portfolio is made up of energy infrastructure assets. It is involved in the transportation, storage, and generation of energy through its liquids transportation and storage assets. Although the company has a variety of assets, including wind and solar farms, it is still very much a pipeline in that 80% of its cash flows provided by operating activities come from its Canadian liquids asset base.

The company's share price has taken quite a hit over the past year, losing about 20% in value, and is currently trading near 52-week lows. Despite consistent year-over-year growth in revenues and earnings, it is currently trading at levels not seen in years. The end result is a quality company trading for bargain-basement prices with an attractive and sustainable yield of approximately 8%.

Why is it considered undervalued?

The company is currently trading below its historical P/E average of 16.4, and with a P/B of 0.9, it is trading below book value. Likewise, its P/E, P/B, and P/S are all significantly below industry averages.

Not convinced?

The company also meets all the stock-selection criteria for the defensive investor set forth by Benjamin Graham, the "father of value investing."

What about the "Graham Number," or the high end of the price range an investor should pay for the stock?

The company appears to be selling at a great price, as it's trading significantly below its Graham Number of \$38, implying upside of approximately 38%.

Rising dividends

Not only is Enbridge Income Fund attractively valued, but it is also a Canadian dividend all-star, having raised dividends for seven consecutive years. Since its dividend-growth streak began, the company

has consistently raised dividends by double digits, and investors can expect this trend to continue, as the company's outlook points to sustained 10% dividend growth through 2019.

The company's high yield is also one of the safest on the market, as cash flows are 99% underpinned by long-term contracts, and 96% of the company's credit exposure come from investment grade or security-received customers.

Momentum

Investors should act quickly, as the company is oversold, and it won't stay this way for long. This past week, its relative strength index dipped into oversold and undervalued territory, indicating that the company is primed for a reversal to the upside.

Bottom line

At current levels, Enbridge Income Fund is a buy for both income and value investors. Income investors would be hard pressed to find a safer starting yield as high as the current 8% yield to go along with double-digit dividend growth.

In a market that has seen valuations skyrocket in recent years, Enbridge Income Fund also provides a great entry point for value investors. Take advantage of this great investment opportunity.

CATEGORY

1. Energy Stocks
2. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/09/29

Date Created

2018/02/05

Author

mlitalien

default watermark