Why You Should Buy Enbridge Inc. Right Now

Description

Canada is blessed with an abundance of resources, and the myriad of energy sector investments available to investors on the market is proof of this. To the average investor, many of these energy investments may appear, at least initially, as very similar investments, with the same types of assets and the same growth prospects and opportunities.

Not all energy companies are the same, though.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) poses an incredibly unique opportunity for long-term investors that are willing to look past the company's recent short- to medium-term woes.

Meet Enbridge, a great investment for any portfolio

For those that are unfamiliar with Enbridge, the company is the largest energy infrastructure company on the continent, with a network of oil and gas pipelines traversing North America that is over 27,000 km long, or two-thirds the circumference of the earth. To put it another way, you could lay pipe from Vancouver to Toronto via Hong Kong and London and still have some to spare.

Approximately one-third of all oil produced in North America and two-thirds of Canadian oil exports bound for the U.S. market traverse that pipeline network, with Enbridge collecting a steady stream of income from the oil traversing its network, not unlike a toll booth.

Despite that incredible opportunity and moat, Enbridge's stock price is down over 17% year to date.

Why is Enbridge down so much?

Given the lucrative business model and a huge opportunity for long-term investment, it's hard to understand just why the stock has dropped so much recently.

The answer to that has to do with the 2016 acquisition for Houston-based Spectra Energy Corp. which completed last year. The deal itself was a $37 billion mammoth, and Spectra brought its own debt of $22 billion along for the ride.

In total, Enbridge has over $60 billion in debt, which, by comparison, is more than double the debt of well-known turnaround candidate **Valeant Pharmaceuticals Intl Inc.** and even surpasses the national debt of several South American nations.

That level of debt forced the hand of credit-rating agencies, with **Moody's** effectively slapping a Baa2 rating on Enbridge, which is close to junk status.

Adding to the debt woes is recent delays on the company's much-publicized Line 3 expansion product, which continues to apply downward pressure on the stock price.

Here's why you shouldn't pass on Enbridge just yet

While it is hard to argue with that level of debt, there are several compelling reasons why investors should keep an eye on Enbridge, if not to shore up on any existing positions by buying more of the stock.

First, Enbridge has one of the best dividends on the market. The pullback in stock price has shot the already impressive dividend up, reaching a yield of 6.59%. This factor alone makes the company a compelling long-term investment.

Second, we are seeing a resurgence in the oil and gas sector. Prices are moving north of US$70 per barrel, which is good news for the industry and Enbridge. That growth should provide a lift to the already impressive dividend as well as fuel growth for other acquisitions and projects.

Third, Enbridge has a massive list of shovel-ready projects that are worth upwards of $20 billion. As each of these projects come online and become integrated into Enbridge's toll-booth like network, expect a sizable jump in revenue.

Finally, Enbridge has a bevy of non-core assets that it can sell to pay down debt. Of the $10 billion in non-core assets identified by the company, nearly one-third is slated for sale before the close of the year.

Enbridge represents a unique buying opportunity for those investors looking for long-term growth that can tolerate some short- to medium-term risk.

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