



The Stock Is Nearing a 52-Week Low and Offers a 6% Dividend!

Description

In a [previous article](#), we looked at why investing in Canada has been so prosperous for so many Canadians over the past generation. One of the key factors was that many markets in Canada consisted of only a few major players and a small number of regional competitors. The banking, insurance, and telecommunications industry is a prime example of this structure.

Investors may be wise to take a good look at shares of **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), which at a current price of \$43 per share are beginning to break out from their 52-week low of \$37.36. In spite of being one of the most written about securities, the long-term value in this name may not only be found in the numbers, but also in the composition the industry.

As Enbridge Inc. is responsible for distributing gas to numerous individuals and businesses, the “stickiness” of revenues is something that investors shouldn’t worry about. And there are many factors that investors don’t need to be concerned about over the long term.

As the company is the only provider to many customers, the power of the client is very small. Unlike a cell phone provider, which has at least a few competitors, this market (at times) has none. Customers have nowhere to go!

Next on the list, as one of the major distributors of power, it becomes much more difficult for suppliers to negotiate for higher prices if you only have so many buyers. Enbridge Inc. is in prime position to obtain the most competitive rates when it is necessary to purchase from a supplier.

For investors who wish to consider the barriers to entry in this business, it must be noted that they are extremely high. There is currently a substantial amount of infrastructure used to deliver the product to each home or business. Barring a substantial capital investment (and taking a major gamble), it will become extremely difficult for any new competitor to enter into this space.

When considering the degree of competition between firms, investors need not worry. Enbridge Inc. is not competing for any one customer in any direct way. In addition, it should be noted that no single customer has the ability to break the company’s business model.

With a clear path to deliver dividend growth to investors, company management has been very transparent as to just how it will be accomplished. The company is currently selling off non-core businesses in an effort to pay down debt (as interest rates are increasing), which is expected to lead to a better bottom line in the future.

In the hopes that expectations will be surpassed once again, investors can have no fear about backing up the truck on this [name](#).

CATEGORY

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Date

2025/07/19

Date Created

2018/05/17

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