



2 Reasons Why Enbridge Inc. Stock Is Set to Soar Long-Term

Description

It's important to make a distinction between short- and long-term investing when discussing a company like **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)). Hovering around \$40 per share at the time of writing, Enbridge continues to lag behind many of its peers within the energy sector, and considering energy is expected to continue to stagnate or underperform for quite some time, Enbridge is a name that many investors have outright ignored over the past couple years, perhaps for good reason.

Headwinds within the North American pipeline space are many, and Enbridge's balance sheet remains loaded with debt. Investors have begun to eschew investments that represent higher levels of risk based on balance sheet debt ratios, and on that basis, Enbridge certainly leaves something to be desired.

That said, Enbridge remains an excellent dividend grower, and is expected to continue hiking the company's distribution by double-digit percentages for at least the next few years. From an income perspective, Enbridge remains a solid pick – its [current yield of 6.5%](#) is certainly nothing to sneeze at.

Here are two catalysts that I believe could contribute to Enbridge turning the corner in terms of capital appreciation in the next 12-24 months:

Asset sales

In early May, Enbridge's management team announced that it was on pace to exceed its target for asset sales this year, thereby decreasing the pressure on the company's divestiture team as the energy transportation company looks to spend more time focused on funding growth projects rather than raising money via cutting its asset base. The \$3.2 billion that Enbridge raised this past quarter consisted of non-core assets in renewable energy (wind and solar assets I thought were excellent long-term plays) and natural gas gathering and processing.

While I bemoan the renewable asset sales, the reality is that Enbridge will need to continue along the divestiture path to get its balance sheet up to par; the fact that the company's management team is doing what it says it would do is a huge positive in my eyes.

Simplifying structure

One of the more recent announcements linked to a ruling by the U.S. appeals court that MLPs (master limited partnerships) allowed companies like Enbridge and its subsidiaries to benefit from a double-recovery of taxes has meant that Enbridge will move to absorb its MLPs **Enbridge Energy Partners, L.P.**, **Enbridge Energy Management, L.L.C.**, [Enbridge Income Fund Holdings Inc.](#), and **Spectra Energy Partners, L.P.** via all-share offers totaling more than \$11 billion.

This move is expected to be a boon for Enbridge long-term, as housing the company's assets under one roof would allow 100% of the assets' cash flow generation to be kept in-house rather than paid out to third parties as in the previous structure.

Stay Foolish, my friends.

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