This Incredible Energy Stock Is a Great Buy at a Low Price

Description

Energy sector investments are often regarded as some of the best long-term investment opportunities on the market. One such stock that poses a massive opportunity for growth is **Enbridge Inc.** (TSX:ENB)(NYSE:ENB).

Enbridge has a massive 27,000 km network of oil and gas pipelines that traverse the continent — a feat which makes Enbridge the largest energy infrastructure company in North America. The pipeline network is so huge that it could span the distance from Vancouver to Toronto via Hong Kong and still have leftover pipeline.

The massive network is used to transport a third of all oil produced in North America and two-thirds of oil bound for the U.S. market. Oil that passes through the pipeline network provides Enbridge with a steady stream of income, similar to how toll roads work.

Despite that incredible business model, Enbridge's stock has dropped over 15% this year, raising questions about the continued feasibility of investing in the company.

Why did Enbridge drop?

Much of that drop can be attributed to the 2016 acquisition of Spectra Energy Corp.

The deal for the Houston-based company completed last year, but between Spectra's debt and the cost of the $37 billion deal, Enbridge was left with $60 billion of debt.

That inevitably left credit-rating agencies no choice but to downgrade Enbridge's credit rating, which makes financing more expensive. Even worse, a credit downgrade can often trigger panic among investors to sell the stock, leading to a prolonged dip in the stock price. The downgrade, which came late last year, positioned Enbridge just above junk status.

Adding to those woes was the decision by the U.S. Federal Energy Regulatory Commission earlier this year to end tax breaks that Enbridge was privy to through its Master Limited Partnerships (MLPs), which included both **Spectra Energy Partners** and **Enbridge Energy Partners**.

How is Enbridge addressing these issues?

To alleviate the MLP taxation issue, Enbridge is bringing its MLPs and pipeline assets in-house by buying them outright and setting them up as a single entity.

Apart from the obvious tax benefit, the simplified structure will allow Enbridge to revamp its costs and increase its credit score.

Turning back to Enbridge's debt, the company has an ongoing plan to sell $3 billion worth of assets this year, which the company is well on track to meet. Enbridge has already sold 49% of its North American onshore renewable power assets as well as two offshore German wind projects. Also under contract is a US$1.1 billion deal relating to Enbridge's U.S. midstream business.

Why should investors look at Enbridge now?

Given the credit and debt woes that Enbridge has, why should investors consider an investment in the company?

There are three reasons for investors to contemplate Enbridge.

First, Enbridge has a long list of shovel-ready projects that can be measured in the billions. As each of these projects comes online, Enbridge's toll-booth revenue stream will witness a bump. Over one dozen of those projects are slated to complete over the next few years.

Second, while Enbridge has a massive amount of debt, it also has a lucrative business model that is integral to the energy sector of the entire continent. Further to that, Enbridge still has a sizable credit line to draw on, and there are still significant synergies and savings to come from the Spectra acquisition that will continue over the course of the next few years.

Taking that into consideration makes the latest pullback in the stock price scream of opportunity over fear.

Finally, you can't consider Enbridge without mentioning the stellar dividend the company offers. A monthly distribution with a yield of 6.62% is an incredibly lucrative offering from a business that is only going to grow in the next few years.

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Author
dafxentiou