



Don't Miss This Opportunity to Buy North America's Top Energy Infrastructure Stock

Description

North America's largest energy infrastructure company, **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) has performed poorly over the last year and severely lagged behind oil's latest gains. While West Texas Intermediate (WTI) has soared by 13% since the start of 2018, Enbridge has fallen by 7%, weighed down by market concerns over the massive pile of debt accrued from the takeover of Spectra Energy Corp.

And this, coupled with other deteriorating fundamentals such as higher interest rates and oil's extreme volatility, saw Enbridge become one of the most shorted stocks on the TSX. While the company undeniably has challenges ahead, this has created an opportunity for contrarian investors.

Now what?

Among Enbridge's greatest strengths is its wide economic moat and the growing demand for its oil and gas transportation as well as storage infrastructure. In an operating environment in which oil is firming demand for the utilization of that infrastructure, Enbridge can only continue to grow.

According to the Canadian Association of Petroleum Producers (CAPP), Canada's oil output will expand by at least a third between now and 2035. This will place considerable pressure on an already constrained domestic pipeline system that is incapable of meeting demand. It is this [lack of capacity](#) that's responsible for the deep discount applied to Canadian heavy crude.

This creates a ready-made market for Enbridge's existing infrastructure and services as well as the vast portfolio of projects it has underdevelopment worth \$22 billion, which on completion will expand the volumes its network can transport. Those assets are expected to come online between now and 2020. On completion, each will boost capacity, thereby allowing Enbridge to meet growing demand and giving earnings a solid boost.

Enbridge has also moved to address many of the concerns that have been weighing on its market value. Key among these has been reducing costs and boosting profitability through the implementation

of efficiencies across its business, thus identifying synergies from the assets it acquired from the Spectra deal and the sale of non-core assets.

Along with greater utilization of its network, this saw Enbridge's second quarter 2018 adjusted EBITDA surge by 23% year over year to \$3.2 billion and adjusted earnings soar by 65% to \$1.1 billion.

As a result, distributable cash flow per share shot up by 40% year over year to come in at the top end of the forecast range, boding well for Enbridge to meet its 2018 guidance.

The energy infrastructure giant has also implemented a range of strategies to address the primary issues that have been weighing on its market value. These include selling non-core assets and using the proceeds to reduce its considerable debt totalling \$60 billion as well as simplifying its [corporate structure](#).

Enbridge has already completed \$7.5 billion of assets sales for 2018, which is more than double the original target. As debt is reduced, financing costs will fall, thereby helping bolster profitability. By rolling up its four underlying listed entities into a single company, Enbridge expects to reduce costs, enhance its credit profile, and maximize cash flow.

So what?

Enbridge's wide economic moat, growing demand for the utilization of its pipeline network, focus on debt reduction and strategy aimed at identifying synergies as well as simplifying its corporate structure all bodes well for higher earnings. Over time, this will translate into a higher share price. While investors wait for that to occur, they will be rewarded by Enbridge's sustainable regularly growing dividend that's yielding a compelling 6%.

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