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Is Enbridge Inc. (TSX:ENB) a Buy-and-Forget Investment?

Description

If someone told you that you could invest in a company that provides a stable, recurring source of revenue that is bound to grow in the coming years, and that same company also provides an appetizing dividend with a yield of 6%, would you consider it?

As an added bonus, let's also assume that, for a number of different reasons, and despite having that recurring source of revenue bring in profits with each passing quarter, this company has seen its stock price drop over 15% in the past year.

If this sounds like an even remotely attractive investment for your portfolio, perhaps it's time to take a serious look at **Enbridge** (TSX:ENB)(NYSE:ENB).

If there was an award for the underperformer of the year, my nomination would likely go to Enbridge.

Following the announcement of Enbridge's acquisition of Spectra Energy in a mammoth $37 billion deal last year, Enbridge assumed a mountain of debt, which weighed heavily on the company, ultimately leading Enbridge to offload some assets to improve its financial standing and restructure itself to leverage changes made to U.S. tax law.

As a business, Enbridge's lucrative business model is as close to a toll-booth operation as you can get, with energy companies lining up to use and pay for accessing Enbridge's expansive pipeline network. With demand and prices of oil beginning to steadily rise again, usage of that pipeline network is only going to increase.

Enbridge's often-mentioned and controversial Line 3 replacement project is another key point worthy of mention. The over 1,600 km pipeline replacement is set to span three provinces and go through the U.S., replacing existing pipeline built several decades ago with more advanced and higher capacity pipeline.

The project is one of the biggest infrastructure projects on record and the largestendeavour undertaken by Enbridge; once complete, the higher capacity will have a direct impact onEnbridge's bottom line.

What about Enbridge's dividend?

One of the main reasons that investors flock to Enbridge is the dividend, and that dividend remains a source of controversy with critics. The payout ratio, which is currently in excess of 170% would appear to most as being unsustainable over the long term.

But that payout ratio is not considering the expected synergies from the Spectra deal, the added revenue from the Line 3 completion, and the myriad of other projects that measure in excess of $20 billion that Enbridge has planned. I'm also not even taking into account the increase in demand for oil that has led prices to surge in the past few months.

If anything, it seems more likely that an increase, rather than a cut to the dividend, is what will transpire. Enbridge has already hiked its dividend by 10% this year and has stated further upticks will occur over the next few years, continuing a healthy trend of annual increases that already spans back over two decades.

Is Enbridge a buy?

Enbridge is not without risk, but the company is full of opportunity, particularly for those investors willing to buy and forget about the stock. From the 6% yield with a healthy growth rate to the lucrative toll-like business, Enbridge remains an intriguing option for investors looking for a long-term income stock with massive potential.

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Date
2025/09/16
Date Created
2018/09/10
Author
dafxentiou