



1 High-Yield, Growth-Laden Investment for Your RRSP

Description

On more than one occasion, I've mentioned the incredible potential for investors that **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) represents for both income-seeking and long-term growth-seeking investors.

Let's take a moment to talk some more about that opportunity for 2019 and beyond.

Enbridge: a lucrative business model

Most investors realize that Enbridge is an [energy infrastructure](#) company, but few may actually realize how significant that potential is over the long term. Enbridge is predominately known for operating the largest crude oil and liquids transportation system in the world with over 27,000 km of pipeline traversing North America. In total, those pipelines deliver 25% of all the crude in North America.

In addition to the crude oil pipelines, Enbridge is also one of the largest players in the transportation, storage, and processing of natural gas, with a stake in over 300,000 km of NGL pipelines across the continent, comprising 18% of all natural gas consumed in the U.S. Enbridge is also the largest natural gas distributor in Canada.

As incredible as those figures are, that's only the beginning. Enbridge's model is not unlike a toll booth, as the company earns revenue based on the volume traversing its network. This not only provides a recurring base of revenue for the company but is also incredibly secure given the immense size of the overall network and growing demand for both gas and crude.

If that weren't compelling enough, Enbridge has billions in potential new pipeline, storage, and infrastructure projects that are either proposed or under construction around the continent that are set to come online over the next few years. By way of example, during 2018 Enbridge brought \$7 billion worth of projects online. Other projects, such as the well-known Line 3 Replacement project, continue to meet project and construction milestones.

Another interesting point worth noting is Enbridge's renewable energy segment. Despite being known primarily known as a pipeline company, Enbridge has a renewable energy segment that has

geothermal, solar, and offshore wind elements that generate 1,750 MW of capacity between the assets in North America and Europe.

Strong earnings. Strong opportunity

A diversified, stable, and recurring source of revenue topped off with a lucrative portfolio of new construction projects is bound to make Enbridge popular during earnings season. The company announced results for the most recent quarter last week which were impressive.

GAAP earnings for the quarter came in at \$1,089 million, or \$0.60 per common share, representing a massive improvement over the \$207 million, or \$0.13 per common share, reported in the same quarter last year.

Adjusted EBITDA came in at \$3,320 million, highlighting a \$357 million improvement over the same quarter last year, while distributable cash flow came in at \$1,863 million, handily beating the \$1,714 million reported in the same quarter last year.

Should you buy now?

For the past two years, many investors have avoided Enbridge owing to the financial cost the company incurred after its acquisition of Spectra. The deal greatly expanded Enbridge but came at a massive cost in terms of debt, which weighed heavily on the company's balance sheet and resulted in Enbridge receiving a downgrade in its credit rating.

That downgrade pushed the stock significantly lower, with many investors disregarding that long-term potential. If you're one of the many investors that bought into Enbridge after that dip, you've already seen a healthy bump in the share price, which has risen 11% over the past 12-month period. Fortunately, there's still ample opportunity and potential for the stock to go higher.

Finally, there's Enbridge's dividend. The current quarterly distribution provides an appetizing 6.23% yield, which has not only been subject of hikes over the years but is also one of the highest yields on the market. In the quarterly update last week, Enbridge announced a 10% hike to its dividend for 2019.

In my opinion, Enbridge appeals to both income- and [growth-focused investors](#), making it a core holding candidate for nearly any type of portfolio.

CATEGORY

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