Is Enbridge (TSX:ENB) Still a Strong Buy?

Description

Over the course of the past two years, **Enbridge** (TSX:ENB)(NYSE:ENB) has been touted as representing one of the best opportunities on the market, and investors that have heeded that advice have already benefitted from receiving the company's handsome dividend, as well as witnessing the stock return impressive growth of over 15% year-to-date.

Turning to those investors that have yet to buy Enbridge, the question is now whether Enbridge, after seeing that level of growth, is still a good buy?

Here's where Enbridge shines

Two of the main reasons why investors continue to flock to Enbridge in droves can be traced back to the company's lucrative business model, and its dividend.

Enbridge has one of the largest pipeline networks on the continent, and that's not even considering the slew of in progress and backlog projects that the company has planned to bring to fruition over the next few years that are valued at $16 billion. Nearly half of that amount can be traced back to the controversial Line 3 replacement program, which will traverse through both Canada and the U.S., addressing some of the bottleneck issues plaguing the energy sector.

Pipeline businesses generate revenues, not unlike a tollbooth on an expressway. The revenue generated from the pipeline business, which is based on volume, is both stable and recurring, remaining largely immune to the volatile fluctuations in the price of oil.

That secure and recurring revenue stream helps Enbridge provide investors with an appetizing quarterly dividend that currently yields 5.96%, which is not only one of the best-paying yields on the market, but has also been subject to impressive annual upticks over the years, including a 10% bump that came earlier this year. Enbridge is currently planning on providing a similar dividend hike next year, and there's little reason to doubt those hikes will continue to attract investors beyond 2020.

Has the investment opportunity waned?

Apart from operating a stellar in-demand business and rewarding shareholders with an appetizing dividend, Enbridge has garnered a reputation in recent years as a thriving value investment. In short, a massive multi-billion dollar acquisition several years ago stretched Enbridge's financial muscle considerably, leading to Enbridge having its credit rating downgraded and forced to offload some non-core assets to pay down some of its debt.

That led to a sell-off on what was otherwise a lucrative money-earning business, hence the value investment. In addition to selling those non-core assets, Enbridge also restructured its subsidiaries, integrating them into the company and realizing both cost and tax savings. As I mentioned above, the stock has since recovered from most, but not all of that prior decline and Enbridge also got a credit rating boost earlier this year as well.

In short, Enbridge may not be the bargain-priced investment that it was a year ago, but the company is an impressive long-term holding that should form a core part of any long-term portfolio.

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