



## 1 Ridiculously Cheap High-Yield Stock Worth Watching

### Description

There's one stock that I love that has a rock-solid business model, 6% dividend, and sizable growth opportunities. If you'd invested \$10,000 into this stock in 1995 and reinvested the dividends, you'd have more than \$150,000 today. Few businesses offer the chance for 1,000% returns — this is one of them.

Looking ahead, the future has never been brighter. And judging by the bargain valuation, now is the time to jump in.

### Buy permanent assets

How long should you hold a stock? Warren Buffett has some advice. "Our favourite holding period is forever," he often says. That's the tricky part — which stocks actually deserve to be held forever? It starts with the business model. Companies come and go, but resilient business models can last decades, even centuries. Which business models are hyper-resilient?

The first sign is that they're cash flow positive. This may seem obvious, but in a profit-centric world, cash flow is often devalued. You can't survive on accounting profits — only cold, hard cash can keep you afloat.

The second characteristic of a resilient business is whether it can side-step industry-wide struggles. If its industry is in tatters, can the company still grow sales? It's a rare quality, but it's possible.

Lastly, can the company plan for the future. As simple as this sounds, short-term goals are often pursued over long-term survival. A worthy permanent investment must be able to reward shareholders today without jeopardizing its long-term financial health.

The company we're about to introduce demonstrates all of these qualities and more.

## This is it

Owning and operating pipelines is a [great business](#). **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is proof. How does it stack up to our three key characteristics outlined above?

In terms of cash flow, Enbridge passes with flying colors. For decades, cash flow has steadily climbed higher, reaching \$4.42 per share in 2018. This year's results should be a tad higher. And remember: this is after all maintenance capital expenditures, taxes, and financing costs. It truly is a free cash flow figure. Enbridge pays out roughly 65% of this cash flow to support its 6% dividend. The rest it uses for expansion.

When it comes to avoiding industry struggles, Enbridge has few peers. When oil prices tanked in 2014, Enbridge shares actually *increased* in value. That's because 98% of its income is regulated or fixed rate. Oil prices may swing wildly, but Enbridge is ensured its cut no matter what. Due to its monopoly-like business, it can force customers to sign decade-long contracts with pricing escalators. Now that's a quality business.

Finally, in addition to its cash flow generation and stability, Enbridge has consistently found ways to grow. Management has already outlined nearly \$6 billion in capital opportunities that it will begin pursuing in 2020. All of this can be financed with internal cash flows, avoiding shareholder dilution.

## Get ready

Enbridge has been delivering double-digit returns for more than two decades. Everything that fueled past growth is still intact. In fact, it's stronger than ever. If you're searching for a forever stock, this is it.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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