



Enbridge Inc. (TSX:ENB): This Could Be the Best Investment You Make All Year

Description

One of the [most important lessons](#) I learned about investing is there are no bonus points for obscure ideas.

Back when I first started managing my own money, I loved tiny ultra-cheap value stocks. Sure, these companies had warts, but I viewed them as being cheap enough to overcome these issues.

Sometimes they worked out, resulting in spectacular gains, but more often they'd just sit there, not doing much at all. The worst was when a few more pieces of bad news would emerge, and these already cheap stocks would tank.

I realized I was doing everything all wrong. These stocks had already been well picked over by investors smarter than I was, and they didn't buy for a reason.

These companies were permanently broken. I was much better off picking quality companies that everybody already knew were great. I could then generate excess returns by waiting until temporary bad news depressed a fantastic stock.

That situation is happening right now with one of Canada's top stocks, creating a perfect long-term buying opportunity. Let's take a closer look.

The opportunity

At this point, I'm sure many of the folks working for **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) wish they'd never heard of Michigan.

The state has sued the energy giant for the right to shut down the company's Line 5 pipeline, which carries more than 500,000 barrels of oil per day through Michigan.

Much of that oil ends up at refineries in Sarnia, Ontario, but some stays in Michigan. Line 5 carries most of the state's propane supply, for example. It also supplies jet fuel that serves the Detroit airport.

The state wants Enbridge to replace the aging pipeline immediately because Line 5 poses what the state claims is a high leakage risk. Any leak would be devastating to the environment.

Enbridge, meanwhile, has an agreement it signed just last year with Michigan's former Governor saying it doesn't have to make any changes to Line 5 until a 2024 deadline.

In other words, it's a bit of a mess right now. It seems the likely solution is the two parties will iron out some sort of compromise and get the new Line 5 built by 2022 or 2023.

This whole situation has created a great buying opportunity for Enbridge shares. In the last month, Enbridge shares are down nearly 10%, falling to a low of just over \$43 each. Shares haven't been this cheap since the beginning of the year.

Buying quality

Let's take a step back and look at Enbridge as a whole. It's so large that investors often forget about its scale.

The company's oil pipelines move some three million barrels of crude each and every day. Its natural gas pipeline system stretches out for more than 192,000 miles and its utility division boasts nearly four million customers.

Approximately 50% of earnings come from liquids pipelines, 35% come from the natural gas part of the business, and the last 15% are generated from utilities.

This is a rock-solid business that has prospered even as energy prices have cratered.

The company has \$16 billion in growth projects already secured through 2020, with the ability to self-fund 5-7% growth annually beyond that. It should also have success passing on price increases to existing customers, especially on the utility side.

Enbridge has already committed to hiking its generous dividend by 10% in 2020, and should be able to easily afford 5% growth starting in 2021. Enbridge has raised its dividend each year for more than 20 consecutive years. Thanks to this recent sell-off, the yield is a fat 6.7%.

Finally, it's cheap. Shares trade at less than 10 times 2019's projected distributable cash flow.

The bottom line

Enbridge is an obvious investment opportunity just staring you in the face.

You likely won't impress any hardcore value investors by seizing this opportunity, but that's okay. You'll feel good enough when you look back at this purchase a few years from now, after Enbridge shares head higher.

And remember, you'll collect a 6.7% dividend while waiting for that to happen.

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