



3 Reasons Enbridge (TSX:ENB) Is a Strong Buy

Description

Enbridge's ([TSX:ENB](#))([NYSE:ENB](#)) Q2 earnings report strengthens its appeal as a [potential stock investment](#). The renowned energy infrastructure company reported a \$1.74 billion profit for the quarter on \$13.26 billion revenue. The explosion at its Texas Eastern operation before the earnings release was the only blemish.

Al Monaco, Enbridge's CEO, said the company's operating performance and new projects are what drove the record second-quarter EBITDA. The stock is up 10.23% year to date, although the price a year ago was 5.16% higher. But at present, ENB is a strong buy.

Number one midstream company

Pipelines connect upstream companies that extract crude oil and natural gas from the ground with downstream companies that refine and process raw materials into fuels and petrochemicals.

Midstream companies are the operators of the related processing, storage, and export facilities. In terms of scope, the oil and gas industry in North America is the most expansive. So, if I were to invest in the industry, I'd pick the largest pipeline-focused midstream company in North America.

And Enbridge is the largest energy infrastructure company in the region. The Canada firm boasts the world's longest and most complex crude oil and liquids transportation system. Its pipes are in Canada and in the U.S.

For this year, Enbridge will transport 25% of all North American crude. That includes about 63% of U.S.-bound Canadian exports. The company's natural gas system will carry 18% of all the gas consumed in the U.S.

Likewise, Enbridge controls an extensive portfolio of renewable energy assets in North America and Europe. About half of Enbridge's earnings in 2019 will come from its liquids pipelines, while gas transmission pipelines and gas utilities will contribute 30% and 15%, respectively. Its renewable assets will fill the rest.

Growth runway

Enbridge grew its scale through strategic acquisitions. The most notable addition is Spectra Energy. The company became the pipeline leader after acquiring the gas pipeline-focused Spectra.

I expect Enbridge to continue growing its infrastructure network for decades to come. As of July 2019, there are \$16 billion expansion projects under construction. The company will invest \$5-\$6 billion annually on additional projects after 2020.

Enbridge is not about to relinquish its status as North America's largest pipeline company. Only a merger among industry rivals will unseat Enbridge.

Stable income earner

Enbridge's countless expansion projects make it [a steady income earner](#). The dividend yield of 6.7% is already appetizing for prospective investors. However, the steadily growing cash flow could lead to further dividend increases. The recent quarterly earnings report is just a preview of bigger and better things to come.

At \$44.61, you're buying a good-quality company with both strong growth and cash flow profiles at a discount. Analysts covering ENB believe the stock is worth 35% more. The company should continue its strong momentum towards higher profitability. There was never a time that the stock disappointed investors. A strong energy rally could propel Enbridge to significant gains in the near future.

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Date

2025/07/06

Date Created

2019/08/23

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