Long-Term Investors: 2 Western Canadian Companies to Grow and Protect Your Capital

Description

Finding companies to invest in that have the same long-term values as you is one of the best ways to ensure success when investing.

If you are someone who is investing for the long-term and not really bothered by quarterly results all that much, you don't want to be invested in a company that may sacrifice future growth to hit quarterly targets.

You want to find companies that are making the best decisions to impact shareholders long term, decisions that will protect your capital as best as possible while creating the optimal opportunities to grow it.

Two companies with strong management and values that are best aligned with long-term shareholders are **Enbridge Inc** (TSX:ENB)(NYSE:ENB) and **Peyto Exploration and Development Corp** (TSX:PEY).

Enbridge

Enbridge is a massive company operating on a global scale. It operates in four main segments: liquids pipelines, gas distribution, gas transmission and midstream, and renewable power generation and transmission.

In North America the company makes up a major portion of our economy. Enbridge transports roughly 25% of North America's crude oil and 22% of its natural gas.

Transporting nearly a quarter of North America's energy clearly makes Enbridge a crucial part of the North American economy.

The company operates in businesses that are necessities but even still, roughly 98% of its earnings before interest, taxes, depreciation and amortization (EBITDA) is regulated, giving it predictable and reliable cash flow.

On top of that, 93% of its counterparty credit exposure is from investment-grade clients, which is reassuring and mitigates a ton of risk.

Another reason why Enbridge is the perfect long-term hold is its strong financial stability.

It's been strengthening the balance sheet by making some non-core asset divestments, to free up capital. Since August 2018, it's freed up nearly $8 billion in capital.

This has helped it to strengthen its leverage ratios, decreasing its debt to EBITDA the last few years into its target range of 4.5 to 5.0 times.

The strong financials coupled with its defensive business model and predictable cash flows lead it to pay an attractive dividend that is raised often as it grows its distributable cash flow.

The dividend yields roughly 5.8% and its lengthy history of dividend increases have led Enbridge to be included in the Canadian Dividend Aristocrats list.

It's one of the largest companies in Canada and one of the best operators, so buying today for the long-term will almost surely yield you great results.

Peyto

Peyto is a natural gas producer that in my opinion is one of the best-run companies in the Canadian energy industry and one that has a returns-focused investment strategy.

Over the last 20 years, Peyto has averaged a roughly 16% return on capital employed and 29% return on equity. These numbers are incredible and some of the highest in the industry.

It's achieved these massive returns in large part because it's one of the lowest cost producers in Western Canada. In 2018, its cash costs per barrel of oil equivalent was just $5.51.

Since the business is run to maximize the return on investors capital, Peyto has been reducing its production in the last few years, as natural gas prices have been depressed.

It believes this is a prudent choice, not wanting to sell its assets at these relatively low prices.

This has led to the stock being sold off severely, and even with a few dividend cuts to keep the dividend in line with the earnings it's generating, it still yields a solid 8.5% today.

Natural gas prices have to rebound eventually, and Peyto has positioned itself the best it can to ramp its production back up when this happens.

It's creating a ton of potential for investors and given how cheap it is today, investors willing to be patient are in for some massive rewards down the line.

Bottom line

Both companies continue to make prudent long-term choices that are intended to benefit long-term investors the most. The companies operate to set investors up with huge growth down the line, but also pay highly-attractive dividends in the meantime.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:PEY (Peyto Exploration & Development Corp)

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