



## Buy This Energy Stock and Sleep Easy During Retirement

### Description

Energy stocks aren't known for their resilience. In 2014, for example, oil prices were cut in half, forcing the entire industry lower. Today, many oil and natural gas stocks are more than 80% off their highs.

Owning these stocks sounds like a retirement disaster, but if you look closely, a handful of companies escaped the downturn unscathed. In fact, some stocks actually *benefited* from the energy bear market.

I'm talking, of course, about pipeline stocks. These companies are so powerful that they can generate massive amounts of free cash flow no matter where energy prices head. Their resiliency is literally built into their business models.

With ample and reliable cash flow, pipeline stocks can pay market-leading dividends. The stock below, for example, sports a fully funded 6.3% yield. That payout can generate cold, hard cash for you every month.

If you want a stock that can provide a high level of income during [retirement](#) but also greatly mitigates your risk in the event of a recession, check out North America's largest pipeline operator.

### How to sleep easy

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) has been one of the top-performing pipeline stocks for over two decades. Its history is truly impressive.

In 1995, shares were priced at just \$3.50. Today, they're above \$50. That rise in share price doesn't even account for *billions* of dollars distributed to shareholders through dividends. In total, shareholders have compounded their capital at double-digit rates for 25 years.

Impressive growth isn't the entire story, however. This stock has also proven resilient during disastrous market crashes. Three points in history demonstrate this resilience well: the dot-com bubble of 1999, the financial crisis of 2008, and the oil bear market of 2014.

In the late 90s, tech stocks were booming. Investors and analysts alike were extolling a new era of investing. In the first few years of the new millennium, however, the **Nasdaq Composite** collapsed by 80%. Throughout this entire period, Enbridge stock was steady at the wheel. From the start of 1999 to the start of 2001, company shares actually *rose* in value.

During the financial crisis of 2008, markets worldwide were plummeting by 50% or more. Again, Enbridge shareholders exited the crash with a *profit*, with minimal volatility along the way.

Care to guess what happened in 2014 when oil prices were slashed in half, sending the entire energy sector reeling? Yet again, Enbridge stock delivered positive total returns.

## Here's the magic

What allows Enbridge stock to outperform the market during both bull *and* bear markets? While the company has an experienced management team, the secret sauce is directly in the business model.

You're likely familiar with what a pipeline does: it transports fossil fuels from one area to another. But did you know that they can cost more than \$7 million per mile to build? They're also subject to some of the strictest environmental regulations and permitting requirements in the world.

This is all bad news for potential competitors, but if you already have a pipeline network built, it's a godsend. With steep costs, burdensome red tape, and construction times often reaching a decade, the supply of pipeline infrastructure is limited. In 2018, for example, Canadian oil prices collapsed by more than 70% due to the lack of pipeline capacity.

Limited new construction directly results in limited competition, giving incumbents extreme pricing power. Reports surfaced last year that Enbridge was asking customers to lock themselves into decade-long contracts. These contracts, as well as existing contracts, charge customers based on volumes, not commodity pricing, insulating the company from the energy market's gyrations.

As long as oil and natural gas need transporting, Enbridge will generate high levels of cash flow thanks to structurally limited competition. This cash flow more than covers its impressive 6.3% dividend, as well as new growth projects each year.

All of the reasons for Enbridge's historical success are still in place. Don't be surprised to see the next decade reward shareholders in a similar way.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
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### **Author**

rvanzo

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