



Is Defensive Stock Enbridge (TSX:ENB) a Good Buy Today?

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is one of the most popular stocks in North America, not just because it's one of the biggest companies in Canada, but because it's one of the best companies you can own long term.

Investors who own Enbridge can buy shares and forget about it or, better yet, continue to add exposure and grow their holding over time, as their portfolio grows.

The reason it's such a high-quality company is because of its operations; Enbridge's pipelines play a major role in the North American energy industry, transporting nearly a quarter of all the oil and natural gas that is produced.

Plus, its cash flows are highly stable and reliable, making it a massive \$100 billion cash cow that can be relied on as a sustainable dividend payer.

So, having said all that, is the stock a buy today?

To answer that, we can look to its valuation and the outlook for its business going forward to see how much value there is in its share price today.

Valuation

Because Enbridge is one of the best long-term stocks investors can own, naturally, its stock trades at a premium.

Still, though, when you look at some of the main metrics, such as a price-to-book ratio of just 1.7 times or a price-to-earnings ratio of 18.3 times, the shares can't really be considered overvalued.

Even looking at its enterprise value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio of just 13.25, that's a fair price to own a mainstay \$100 billion company in the Canadian economy.

What makes the valuation even more attractive is that Enbridge's five-year average EV/EBITDA ratio is more than 20 times, meaning the stock is trading below its average valuation from the last five years.

A lot of this is due to Enbridge's rapid increase in its EBITDA; however, the numbers don't lie, and Enbridge's stock could easily warrant a higher valuation.

Outlook

A major part of why Enbridge warrants a higher valuation is due to the company's positive outlook over the coming years.

The company has a history of strong operations performance, and this will only get better, especially as Enbridge continues to find ways to optimize its business and bring more capacity online.

It has a number of development projects that will come online over the next few years and continue to make Enbridge the best Canadian company you can own, as it diversifies into other industries such as [renewable energy](#).

The organic growth the company is forecasting will almost all be transferred to the dividend, as the company aims to continue to grow its dividend annually.

Enbridge expects its distributable cash flow will grow by 10% this year and 5-7% for the foreseeable future after that.

So, investors can reasonably expect solid dividend growth from Enbridge over the next few years that will be at least a 5% increase each year.

That is pretty attractive when you consider its dividend currently yields 6.14% for investors who buy shares today and will easily yield much more in a couple years; after all, Enbridge is one of the best companies on the Canadian Dividend Aristocrat list.

Bottom line

Despite it not being extremely undervalued, the valuation is still extremely attractive, especially when you consider that as a leading Canadian company, there is a place for it in almost every investor's portfolio, as long as you can gain exposure at a reasonable price.

With a company like Enbridge that has the respect of a number of investors and analysts, you will never find it trading well undervalued, so as long as it's not extremely overvalued, Enbridge should be considered a buy.

After all, as Warren Buffett has said in the case of long-term investing, he would prefer a wonderful company at a fair price rather than a fair company at a wonderful price, and Enbridge is as wonderful

as they come.

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Date

2025/08/07

Date Created

2020/01/18

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