



## Does Warren Buffett's Latest Deal Signal it's Time to Buy Pipeline Stocks?

### Description

Following Warren Buffett's purchase of nearly US\$10 billion worth of natural gas assets, one has to think that nat gas is *the* place to bet for deep-value investors.

Renewable and sustainable energy producers may have been [all the rage](#) in recent years, especially among younger ESG (environment, social, governance) investors who want to use their money to change the world for the better. But the ESG trend doesn't mean all fossil fuels are on their way out. Nor does it mean their shares are to be ignored by investors, despite their compelling valuations at these cyclical lows.

### Is there deep value in natural gas infrastructure?

Natural gas, which is a relatively clean-burning fuel, can co-exist alongside wind, solar, and all the sort. Unlike some of the renewable energy players out there, which may be trading at lofty valuations, natural gas infrastructure plays are severely discounted following the latest pullback in natural gas prices. Warren Buffett spotted the value in the natural gas space, and he didn't hesitate to finally pull his elephant gun out.

The **Dominion Energy** natural gas deal gives **Berkshire Hathaway** Energy a considerable amount of exposure to America's interstate natural gas transmission, bringing it up to 18% from 8%.

While US\$9.7 billion is undoubtedly a sizeable investment by anybody's standards, it may not be large enough to satisfy the appetite of someone like Warren Buffett. If we're due to see more weakness in the out-of-favour natural gas or liquid pipeline plays, I wouldn't at all be surprised if Warren Buffett were to put foot his foot on the gas, as he looks to put Berkshire Hathaway's mountain of cash to work on one of few opportunities he sees in today's market.

### A Canadian pipeline to follow Warren Buffett's lead

Fellow Fool contributor Kay Ng recently noted that Buffett's latest deal may be a "big hint" as to where

the value lies. Those who want to ride on the Oracle of Omaha's coattails may wish to invest in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), an energy transportation company that's looking pretty cheap today relative to that of its historical average valuation metrics.

"Investors do not need to just admire Warren Buffett's purchase of Dominion Energy's gas infrastructure assets. Enbridge is a market leader that has a big portion of its business in that space. In fact, the company had the foresight to buy Spectra Energy several years ago to significantly boost its scale in gas infrastructure." [Kay said](#). "To follow Warren Buffett's move to add gas infrastructure to your investment portfolio, you can consider Enbridge now. You'll be buying an undervalued investment just like Berkshire and get a big dividend income doing so!"

I think Kay's right on the money and believe that Warren Buffett's followers could do well over the long term by scooping up shares of the midstream kingpin at this time of cyclical weakness while its shares yield nearly 8%. Enbridge stock also looks very cheap at the time of writing, with shares trading at a mere 1.34 times book, which is close to the lowest it's been since the depths of the 2007-08 Financial Crisis.

## Should you follow Warren Buffett into the midstream space?

Following a legend like Buffett into or out of a stock can be reckless if you don't put in the homework yourself or fail to understand what you're following him into. If you're willing to conduct your own analysis, though, it makes a tonne of sense from a top-down perspective to follow in Warren Buffett's footsteps into the pipelines in search of deep value in today's highly uncertain market.

Enbridge is a shareholder-friendly firm with a lot going for it. Like most pipeline players, it has its fair share of headwinds, but for those willing to go against the grain (like Warren Buffett), the long-term rewards could have the potential to be profound.

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