Grow Rich Like Warren Buffett: Buy This Dividend Stock Today!

Description

Warren Buffett just made his first big buy since the March market crash. Last week, **Berkshire Hathaway** purchased a U.S. natural gas transmission pipeline network from **Dominion Energy** for $9.7 billion.

While many commentators have suggested that perhaps Mr. Buffett has lost his touch in this new digital era, I would beg to differ.

In his over five decades of investing, Warren Buffett has seen it all and done it all. As opposed to the new generation of "Robinhood day-trading investors," Mr. Buffett has built the majority of his wealth through patient, thoughtful investing. He is building a company of high-quality, cash-flowing assets that should generate investor returns long after his lifetime.

I don't think Warren Buffett has lost his touch

Warren Buffett's bet on natural gas should continue to pay off for many years to come. Natural gas continues to be an important source of cooling, heating, and power in North America. It is cheap, available, and, unlike renewables, it can produce power 24 hours a day. This natural gas pipeline should fit nicely into Berkshire's already large energy empire. I think this acquisition will work out for a few other reasons as well.

Pipelines are still attractive-yielding investments

First, due to regulations and environmental activism, new pipelines are almost impossible to build and garner a reasonable return on investment. As a consequence, pipelines in the ground will at least maintain their value and long-term volume demand.

Second, natural gas distribution pipelines provide essential services that society require to function. In a COVID-19 world, where many businesses are susceptible to mandated shutdowns, I want to own assets that operate and meet society's needs. Due to their contracted cash flows and limited commodity risk, pipelines produce relatively stable annual returns.

Lastly, with interest rates at historic lows, I think Warren Buffett sees the long-term value of stable, high-cash-yielding assets like pipelines. As *Forbes* writer Erik Sherman recently noted, “[I]t’s a reminder for investors to consider which companies in a market are absolutely necessary while remaining disconnected from the whims of commodity pricing. A pipeline business is like an electrical grid, gaining its own profits for a service that can’t easily be circumvented.”

Buy like Warren Buffett with this top TSX stock

If you want to build wealth like Warren Buffett, you should consider owning **Enbridge** (TSX:ENB)(NYSE:ENB). Recently, it has faced a significant amount of negativity around a number of its assets and/or projects (Line 5 temporary closure, Dakota Access pipeline, and Line 3 setbacks). As a result, the stock is trading relatively cheaply and yields a massive 7.75% dividend!

Despite its challenges, Enbridge is the largest energy infrastructure company in North America. It delivers around 25% of North America’s crude oil and 20% of its natural gas.

Like Warren Buffett’s acquisition, Enbridge plays a vital and essential role in meeting North America’s energy needs. Fortunately, it has a diversified asset mix (crude, natural gas, storage, and renewables), so it is not overtly reliant on any one asset, counter party, or commodity. 98% of its cash flows are contracted or regulated, and its cash flows are relatively stable.

Enbridge has undervalued upside

A third of Enbridge’s $6 billion capital plan is allocated for utility optimization and renewable power developments. Another $2 billion is allocated for gas transmission projects. The remainder is for oil liquids pipelines. So, really, over 66% of its capital projects plan should have a good chance for approval, completion, and operation.

I think the market has overly discounted the risks equated to Enbridge’s current and future assets. As a result, any project approval or completion could provide meaningful upside for the stock. Get paid 7.75% to wait. I think it’s a deal that even Warren Buffett could bet on.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

Date
2025/07/26
Date Created
2020/07/16
Author
robbybrown