



## Get Wealthy Like Warren Buffett With This Stock

### Description

Despite the volatile year in the stock market, Warren Buffett has been relatively quiet. Many **Berkshire Hathaway** investors have grown concerned that perhaps he has lost his knack for finding deep-value stocks. Perhaps that is true; however, Warren Buffett has made one notable 2020 investment that investors should take note of. True to his value-orientated investing, Warren Buffett took another bet in energy.

### Warren Buffett's latest contrarian bet

In July, Berkshire agreed to buy **Dominion Energy's** natural gas pipeline and storage assets for US\$9.7 billion. This pipeline comes as strong complement to Berkshire's already large energy production and distribution business. Natural gas has struggled for a number of years. Yet this acquisition might be signalling a change in the trend.

In fact, a number of analysts believe [natural gas could be entering a new bull market](#). Prior to the pandemic, U.S. shale oil produced a significant amount of secondary natural gas. This flooded and depressed natural gas markets for years. Now, many of these producers have had to reduce or stop drilling all together. As a consequence, natural gas pricing is starting to balance out again.

Canadian investors, are you looking to copy an investment straight out of Warren Buffett's own playbook? One deep-value opportunity you might want to consider is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

### Replicate Warren Buffett's strategy with this top stock

Enbridge transports around 25% of North America's oil liquids and 20% of natural gas consumed in the United States. Despite consistently producing better-than-expected results this year, its stock still trades 25% below its February highs. Right now, the stock is paying a very attractive 7.5% dividend, but I don't believe this discount will last forever.

## Stable cash flows

Enbridge has a very stable cash flow model: 98% of cash flows are contracted or regulated, and 95% of its counterparties have investment-grade credit ratings. The most intriguing thing is, Enbridge continues to de-risk and diversify its overall business.

## Diversified business model

While known as an “oil pipeline” stock, Enbridge has a diversified business. 30% of its adjusted EBITDA comes from gas transmission and midstream services, 12% from a regulated gas distribution and storage business, and surprisingly, 4.5% comes from renewable power generation.

## Growing cash flows

Now, its largest capital project (worth \$2.9 billion), the Line 3 Replacement project, has faced both legal and political challenges in Minnesota. Yet, of any new pipeline project, it has come the furthest and has the greatest potential to actually be built.

Enbridge's remaining capital project budget (around \$6.5 billion) is allocated for developments in gas transmission, regulated gas, and, interestingly, [renewables](#). Most of these projects have limited project risk and are likely to be completed.

Over the next three years, Enbridge should be able to grow distributable cash flow by 1-2% organically (cost efficiencies, embedded toll escalators, and volume optimization) and, if all goes well, 4-5% from taking its capital growth projects online.

## Enbridge has a strong risk-adjusted return profile

Add 5-7% cash flow growth (and likely dividend growth) with a 7.5% dividend and investors get a very attractive low risk +13% annual return. Despite the pandemic and challenged energy markets, management continues to affirm its 2020 outlook of \$4.50-\$4.80 distributable cash flow per share.

With Enbridge you get an undervalued stock that produces steady cash flows, pays a great dividend, and has opportunity for growth. To me that sounds just like a Warren Buffett recipe for wealth and success.

Stay Foolish.

### CATEGORY

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

## POST TAG

1. Editor's Choice

## 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

## Tags

1. Editor's Choice

## Date

2025/07/26

## Date Created

2020/08/28

## Author

robbybrown

default watermark

default watermark