Is Enbridge Inc. the Best Bargain on the TSX?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is one of the largest stocks on the TSX, and with the share price down more than 20% year to date, it could be a great bargain. The oil and gas industry has seen numerous challenges this year with oil prices dropping, and many companies cutting back on capital spending.

However, recent momentum in the commodity's price could see some of those opportunities come back, and Enbridge is well positioned to take advantage should that happen.

Oil prices have been on the rebound

Since June, we have seen the price of West Texas Intermediate rise from less than $44 a barrel to now sit over $56. Of key importance are the upcoming OPEC talks, when we'll see if supply cuts from oil producers will be extended, as that could have a significant impact on the price of oil.

If we see an extension in the cuts, which many are predicting will be the case, then we could see oil prices continue to rise next year. However, if we see resistance, then the danger will be that the price of oil will crash, resembling what we saw at the start of 2017.

If we see positive news from the meeting later this month, then it wouldn't be surprising to see Enbridge and other oil and gas stocks start to take off.

Enbridge has been producing strong quarters, despite a low price of oil

Even without a high price of oil, we've seen Enbridge turn a profit in each of the past four quarters. Although the company missed expectations in its most recent quarter, its sales have continued to grow, and Enbridge posted a strong profit of $847 million in Q3 — a significant improvement from the $30 million loss it recorded a year ago.

Investors have turned away from the stock, despite an improving performance this year, and that could make the stock very undervalued with a lot of potential upside.

Industry conditions are likely weighing down the company

Industry conditions, rather than company performance, have likely prevented the stock from increasing in price. Investors have likely been hesitant to invest in oil and gas, especially after the Energy East pipeline was cancelled last month by **TransCanada Corporation** amid more stringent demands from the National Energy Board.

Enbridge itself is waiting on approval for its Line 3 pipeline upgrade south of the border. Should that get approved, then Enbridge's stock would get an instant boost in the share price, and a healthy dose of pessimism is likely already priced in to the share price's current value.

Why Enbridge is a good buy today

As a result of the steep decline in the share price, the stock is now yielding an annual payout of 5.4%. Enbridge has a strong history of increasing payouts, and in five years the dividend has more than doubled.

With the stock trading at only 1.5 times its book value and near its 52-week low, it could be a great opportunity to invest in Enbridge and take advantage of not only the great dividend, but the potential upside the stock has.

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