



Has Enbridge Inc. Finally Hit Bottom?

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) stock is in [free-fall mode](#) and with the dividend at a massive ~6.5%, it may be tempting to try to time the bottom in order to potentially reap the rewards from a potential bounce back to go with a locked-in dividend yield relative to your invested principal.

This may seem tempting enough, but there's just one problem with trying to time a bottom in this falling knife; it's just not possible unless you've got a crystal ball handy! There's no bell that goes off when the stock has finally hit a bottom, even though many of us contrarian investors wish there would be so we didn't have to deal with an immense amount of short-term pain for an uncertain long-term gain!

There is one thing that's certain, however, as shares of Enbridge continue to fall further into the abyss; the dividend is safe and on average, ~10% hikes are going to continue over the foreseeable future (at least through 2020) as management keeps its dividend promise to shareholders.

The [shareholder-friendly](#) nature of management has provided many investors with an incentive to hang on through these difficult times, and although some pundits would argue that the dividend hikes are unwarranted, I think the company has the capacity to emerg from its funk while continuing to finance its growing dividend in spite of the \$61 billion debt.

Enbridge has been incredibly busy offloading non-core assets over the past several months. Moving forward, the same can be expected as the company moves closer to its goal of liquidating \$7.76 billion in additional non-core assets that management has identified.

The debt will gradually be chipped away at and the dividend will remain safe. However, come 2021, I think the magnitude of dividend hikes will drop to the low single-digits as management invests in longer-term growth projects.

With fewer near-term catalysts remaining to propel the stock higher over the near-term, I'd advise investors not to time a bottom, but to implement a dollar-cost averaging approach, as it's unlikely you'll be able to catch a near-bottom price if you purchase shares all at once.

At just 16 times forward earnings, shares are too cheap to pass up, even if that means taking some

pain over the short- to medium-term. As long as you have a long-term holding period, you should feel comfortable nibbling away at shares gradually over the next several months.

Stay hungry. Stay Foolish.

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