Enbridge (TSX:ENB) Stock Is Too Cheap to Ignore: Now’s the Time to Buy!

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is the perfect stock for 2020. Next year, it should experience new growth opportunities that will push earnings considerably higher, regardless of where the global economy goes.

Its recession-proof business model ensures stability even if a bear market hits. Plus, its fully-backed 6.4% dividend gives you regular income to support daily expenses or purchase even more shares.

Enbridge stock has been flat for more than five years, despite EPS growing by 10% annually. Rising profits alongside a stagnant share price means that Enbridge stock is continually assigned a cheaper valuation.

That’s a huge mistake by the market. Given economic uncertainties and the state of the energy market, now has never been a better time to load up on shares.

Business is bulletproof

Before we get to Enbridge’s growth prospects, it’s important to highlight just how strong this business is. Pipelines are the closest it gets to owning a monopoly, and Enbridge is the largest pipeline owner in North America.

The statistics are incredible. The company handles nearly 20% of the continent’s natural gas as well as 25% of its crude oil.

Without Enbridge, the North American energy industry would grind to a screeching halt. That’s because there aren’t many viable alternatives to pipelines.

Just take a look at maps charting Canada’s pipeline infrastructure. Pipelines often go where highways and railroads don’t even exist. Even when they do exist, shipping via pipeline is almost always faster and cheaper.

The best part is that Enbridge is barely exposed to commodity prices. Roughly 98% of cash flow comes from fixed-price, regulated, or take-and-pay arrangements. If you want to experience the stability of this business first-hand, consider the 2014 oil collapse.

That year, oil prices plummeted by nearly 50%. Several oil and gas producers went bankrupt. Yet Enbridge stock increased in value by 26% that year! When it comes to stability, this stock leads the pack.

Ride the wave

Now comes the exciting part: Enbridge's growth opportunities. In 2018, management made it a key priority to double-down on its low-risk pipeline model. The company sold $8 billion in non-core assets, deleveraged the balance sheet, and delivered record cash flow.

With a streamlined business structure, the company is fully set on delivering record growth. That shouldn't be a problem considering Canadian oil and gas output is expected to grow significantly for at least another decade.

That output will need transporting, and Enbridge is stepping up to the plate. In 2019, the company secured $9 billion in growth opportunities while continuing to pay down debt and boost cash flow.

In 2020 and beyond, management has earmarked $10 billion in growth opportunities currently in development.

Over the last 24 years, Enbridge has grown its dividend by 11% per year. In 2020, it expects to boost the payout by another 10%. Long term, it's targeting 5% to 7% annual cash flow growth.

That growth coupled with its 6.4% dividend could result in continued double-digit annual returns for shareholders. With a bulletproof business model and clear growth potential, this stock has become too cheap to ignore.

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