Buy This Canadian Pipeline Stock to Recession-Proof Your Portfolio Heading Into 2020

Description

It's really hard to find good value in these inflated stock markets these days. The **TSX 60** is up 25% this year, which is broadly reflective of North American stock markets.

There is renewed optimism of an imminent U.S.-China trade deal and interest rate increases seem to be off the table indefinitely. In a situation like this, the only asset class that can make investors any money is equities.

This type of market is really frustrating for a deep value investor like myself, as all the stocks I really want to invest in, like **Open Text, Telus**, and a few others have gone on a bit of a tear recently and don't feel undervalued anymore.

However, there's still one stock that has been undervalued for a few years now and continues to churn excellent operating results even as the market dithers around giving it the premium valuation it deserves.

It shouldn't come as a big surprise that I'm referring to **Enbridge** (TSX:ENB)(NYSE:ENB). I've written frequently about Enbridge because I can't believe that investors are still skeptical about this North American energy infrastructure giant.

The company has proven time and time again that it's uber-resilient to business setbacks and knows how to chug along and slowly chip away at its problems to uncover opportunities and monetize them.

First of all, investors need to appreciate that Enbridge is an energy infrastructure company, not just a pipeline company. Enbridge is a play on a diversified set of energy infrastructure assets on a North American scale that's almost impossible to match.

Sure, the company has a significant amount of its capital tied up in oil pipelines, but it has gas utilities, renewables and other pieces of infrastructure that facilitate the production and the flow of energy from one place to the other.

Enbridge has received a ton of negative press recently because of its U.S. pipeline issues, but that's a real blessing in disguise for the company as well as its shareholders.

All of its U.S. regulatory issues on the Line 3 replacement are proving just how resilient the company really is. Honestly, companies with less fortitude would have folded a long time ago and just taken a big write-down on the investment, lamented about how unfair the process is and move on.

Enbridge just has that never give up attitude of a proven winner and it just doesn't take no for an answer. That attitude is slowly but surely leading to small victories along the way, and I'm quite confident that the U.S. portion of Line 3 will be built in 2020 and it will start producing significant cash flow for the company in 2021.

But perhaps as important, despite the numerous Line 3 setbacks it has had in the last couple of years and the significant costs it has incurred in legal fees and other community and stakeholder engagement work, the company's third-quarter results released a few days ago prove the bullet-proof nature of its business model.

My regular readers know that I zone in on the "cashy" sort of metrics and forget about all the EBITDA fluff. On the cash front, the company clocked in Distributable Cash Flow (DCF) of $2,105 million for the third quarter, compared to $1,585 million for the third quarter of 2018.

The company also confirmed that its previous guidance range for 2019 DCF per share of $4.30 to $4.60 is still on track and in fact, the company expects the full-year number to exceed the mid-point of that guidance range.

In essence, the smartest investors realized that one of the uncertainties that were hanging like a black cloud over the company's stock price has just been removed.

Specifically, the company has said for a long time that it intends to increase the dividend by 10% each year up to 2021. This means that there is a very good likelihood that the stock will end 2019 on a strong positive note and will have momentum heading into 2020.

Smart investors will accumulate a position in the $48 to $50 price range and watch the stock shoot up in 2020 as Line 3 hurdles get cleared up and the company continues to steadily grow its cash flows and rewards investors with higher dividends.

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