Enbridge (TSX:ENB): Why Now (and Not Later) Is the Perfect Time to Buy the Dividend Stock

Description

With the markets hovering around all-time highs, it's tempting to wait for the next meaningful pullback before putting your next $6,000 TFSA contribution to work. And while there are warning signs (the **S&P 500** is 7% above its 125-day moving average) that suggest this market is in overbought territory and is long overdue for a correction, there remain plenty of lower-beta bargains scattered across the TSX Index that could withstand or even rally as stocks plunge on a new slate of things to worry about.

One stock that strikes me as a bargain that ought to be scooped up now is **Enbridge** (TSX:ENB)(NYSE:ENB), a pipeline kingpin with a very handsome 6.3% yield that could revert towards mean levels, as shares look to continue sustaining its newfound momentum into the new year.

The battered pipelines could very well be the last source of dirt-cheap "growthy" dividends, as the price of admission to high yielders continues to rise amid declining bond yields.

So, if you've got a long-term time horizon, it makes sense to initiate a position in arguably the cheapest quality pipeline player in the space today rather than waiting for a pullback, which may not happen until another 10-20% upward market move.

Sometimes by being too cheap with low limit orders, one risks missing out on a considerable amount of upside in stocks that are already trading at bargain-basement prices.

In the case of Enbridge, the stock remains attractively valued, despite flirting with 52-week high territory. Management is pinning 2020 EBITDA guidance at $13.7 billion and discounted cash flow guidance of $9.4 billion, which should support continued double-digit dividend hikes over the foreseeable future.

Just last month, Enbridge hiked its dividend by another 10% (as promised) with a reaffirmation of 5-7% in annual growth of distributable cash flow per share. Management's recent guidance injects a bit of certainty into the company, which is in an industry that continues to be plagued by uncertainties.

An overlooked catalyst could fuel Enbridge's rally further

Should the Minnesota Public Utilities Commission (MPUC) provide positive commentary on the fate of the Line 3 Replacement Project, we could see another layer of uncertainty be removed, and Enbridge stock could be poised for a sustained rally through most of 2020, regardless of moves made in the broader stock market.

Given all the delays and high regulatory hurdles that Enbridge has stumbled upon in the past, I'd say that investors aren't expecting much, as MPUC looks to hold a public comment period later this month, and that's precisely why I think now is a time to buy the name, while the stock continues to trade at a sizeable discount relative to its historical averages.

At the time of writing, Enbridge trades at 1.7 times book and 13.1 times EV/EBITDA, both of which are lower than the five-year historical average multiples of 2.8 and 20.7, respectively. The stock remains cheap, and the growing dividend (yielding 6.3%) will continue to be the main attraction as the hunt for yield becomes that much tougher in a year that's sure to be chockfull of uncertainty.

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