Enbridge (TSX:ENB) Stock Could Be Ready to Go Parabolic!

Description

Don't look now, but **Enbridge** (TSX:ENB)(NYSE:ENB), the ailing midstream kingpin that's been treading water since the big plunge in oil prices, suddenly become one of Canada's hottest stocks. The stock is currently up a whopping 30% from its August 2019 lows and 9% thus far in 2020.

The rally has shrunk Enbridge's 6.3% yield to 5.8%, with a nearly 10% dividend hike factored in. Although the recent run is impressive, I think the stock remains cheap and wouldn't rule out a return to all-time highs as soon as this year.

Enbridge is a red-hot stock that could soon become white-hot should the right cards fall into place.

Management has streamlined its business structure without breaking its dividend growth "promise" to investors. Back when concerns were mounting over the uncertain capital structure, many skeptics were critical of management's decision to continue rewarding its shareholders with 10% dividend hikes. There was a strong case that Enbridge hadn't earned "the right" to raise its dividend, given its slate of troubles.

Given recent progress, though, it turned out that management's shareholder-friendly decision to continue dividend hikes was a good move. The dividend growth streak is still alive and well now that the company has begun to find its footing. As yield grows scarce, Enbridge will be seen as a Steady Eddie dividend-payer through the eyes of income investors and not a firm that's quick to punish investors with dividend cuts.

Back in August, I urged investors to back up the truck on Enbridge stock, citing exceptional management that's more than likely able to navigate through tough times, the stock's dirt-cheap valuation, and an underrated pipeline of projects that were on the horizon.

"The managers running the show have done their best to protect shareholders from the unfavourable environment." I said in a prior piece, dated November 25, 2019.

"The firm still pays a handsome dividend (currently yielding 6%) that's growing at a double-digit rate despite a now tighter balance sheet. And with a pipeline of encouraging growth projects that could come online over the next five years (including the Line 3 Replacement), Enbridge is more than capable of maintaining its dividend-growth streak as the stock looks to post a recovery."

Moving forward, Enbridge's projects are going to cost a pretty penny, enticing many analysts to lower their dividend-growth expectations to a mid-t0-high single-digit rate, down from double digits. However, given management's shareholder-friendly reputation and past financial maneuvers made to make room for further hikes amid tremendous pressures, I do think that another promise of 10% dividend hikes is a realistic possibility. Management has proven it can juggle such a massive commitment while making fundamental improvements to its business in preparation for growth projects.

Furthermore, given we're likely to see multiple expansion in the stocks of companies with safe, sizeable, and growthy dividends, there's never been a better time to continue making commitments to lure investors to invest in, and stay in, the stock through the ups and downs.

Enbridge is a dividend-growth heavyweight that's tough to match. As regulatory hurdles are inevitably passed, I don't think it will be long before Enbridge makes a new all-time high. The stock trades at just 2.2 times sales and 1.8 times book, a price of admission that's ridiculously low for a company of Enbridge's calibre.

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