Enbridge (TSX:ENB) Stock Misses Q4 Estimates: Time to Buy

Description

On February 14, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) reported its fourth quarter earnings. They not only came in below analyst expectations, but also below results from the year before.

The company transported 2.7 million barrels per day of oil on its Mainline network, a slight increase from the year prior, yet core earnings fell 3.7% year over year. In summary, Enbridge worked harder for its customers, but profitability still fell.

Notably, expectations for the year ahead remain strong. Enbridge forecasts EBITDA of $13.7 billion for 2020. That's up from $13.3 billion in 2019. Distributable cash flow, meanwhile, should range between $4.50 and $4.80 per share.

So fourth-quarter results were so-so, but 2020 results are expected to be record-breaking. With the dividend yield up to 6%, now looks like the time to buy.

Ready for trouble

The upcoming year is difficult to predict. A growing number of analysts and economists are worried about a recession. The rise of renewables and a movement to divest from fossil fuels threatens a major cornerstone of Canada's economy. The coronavirus outbreak in China continues to destabilize one of the world's largest economies.

Yet all is not lost. GDP in Canada continues to rise, fossil fuel production is expected to grow through at least 2030, and the coronavirus has not yet become a global pandemic. There are many reasons to be pessimistic about 2020, but just as many reasons exist for being optimistic.

This is the biggest challenge that investors face today: an uncertain world. If you're young and intend to invest for decades at a time, long-term forecasting is more difficult than ever. If you're retired and need to rely on your accumulated savings, preserving that nest egg can be riddled with anxiety and pressure.

Fortunately, Enbridge is ready for a wide variety of futures. It's possible that the company can thrive in both bull *and* bear markets. Now that's a stock worth getting behind.

What makes Enbridge ready for clear skies and choppy waters? It's all about the business model: pipelines.

Keep calm and invest

Pipeline businesses like Enbridge are incredibly stable.

It can take billions of dollars and up to a decade to fully build a pipeline. Adding new routes to the network takes even more money and time. These factors limit industry supply, resulting in a handful of players dominating the market. Enbridge is one of two industry giants with a valuation of around $100 billion.

Limited infrastructure results in limited competition. Oil and gas producers often have *zero* alternatives to their local pipeline connection. This allows pipeline companies to charge on volumes, not commodity pricing. Oil prices may gyrate, but Enbridge's profits largely remain consistent.

Because they charge on volumes, pipelines only need one thing to boost long-term profits: increased fossil fuel production.

"Even though domestic use of oil products and natural gas grows slowly or declines, Canada has potential to increase energy production," notes the National Energy Board. "Oil and gas prices are sufficient for oil production to increase 58% by 2040, and gas production to increase by 33%."

There will be bumps along the way, and pricing volatility will regularly roil the sector, but Enbridge should end this decade significantly stronger than it started. That's good news for its 6% dividend, as well as its stock price, which is currently sitting near a multi-year low.

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