Coronavirus Fallout 2020: Is Now the Time to Buy Enbridge (TSX:ENB) Stock?

Description

The energy stocks are falling deep into the ravine as the coronavirus continues to strike fear. **Enbridge** (TSX:ENB)(NYSE:ENB), the sector's top draw, has fallen below $40 last week.

On February 20, 2020, the price was $55.41, but due to the pummelling, it fell to as low as $34.09, or a 38.5% drop. Curious investors are wondering if they missed out on Enbridge's drop, as the energy stock quickly made an 8.7% rebound.

Hapless victim

Enbridge is hurting from the coronavirus outbreak and oil price war. Still, many believe that this $75 billion energy infrastructure company could be a good pick in the market meltdown. The reasoning is that as a pipeline operator and not an oil producer, Enbridge is more like a utility stock.

The company distributes, distributes, and transports energy products. But given that it's in the energy sector, the stock is hit by the carnage along with other energy stocks. Enbridge's core business is Liquid Pipelines. It takes care of transporting nearly 25% of crude oil produced in the North American region.

The gas transmission and midstream business segment transport natural gas to the U.S. The volume is 20% of the total consumption in America. Both liquids pipeline and gas and midstream segments underperformed last year as adjusted earnings in each slid by about 0.5%.

There are 3.8 million retail customers in Ontario and Quebec, relying on its Gas Distribution and Storage unit. With the distributed natural gas volume increasing, this unit's profit rose to $482 million during Q4 2019 versus Q4 2018.

Similarly, Enbridge is into clean and green energy. Its Renewable Power Generation unit generates 1,750 MW of net renewable power for customers in North America and Europe. In Q4 2019, adjusted earnings from this outperforming segment rose by 21 million, or 21.4% better than the prior-yearquarter.

Temporary setback

Selling this energy stock because of the oil crash and panic might not be a good idea. You don't want to sell at a loss and then see Enbridge recover quickly when the market environment improves. Investors should understand that the business model is low risk, as the company has less exposure to oil.

For now, investors should welcome the 8.77% dividend. But be warned that reducing dividends could help the company save more cash during a financial crunch. The balance sheet remains healthy.

At the close of 2019, Enbridge held $648 million in cash and cash equivalents. Some of the favourable financial metrics include a profit margin of 11.39%, return on equity (ROE) of 8.16%,and quarterly revenue growth (year-over-year) of 6.8%. Debt, however, stands at $65.93 billion, while EBITDA projection for 2020 is $13.7 billion.

Most valuable assets

One market strategist states that the **TSX** has tumbled to the level of the oil market crash of 2014-2016. With more stocks trading at bargain prices, it's opening up buying opportunities of a lifetime.

But amid a nerve-wracking and tense market, you should be careful in choosing your investments. Regardless of the market environment, Enbridge remains a top pick of income and long-term investors. Over time, its assets would be the most valuable in the industry.

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