



Enbridge (TSX:ENB) Stock Just Became Too Cheap to Ignore

Description

Don't look now, but **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is attempting to stage a [recovery](#) after falling to seven-year lows on the coronavirus crisis and oil's latest implosion. The stock sports a bountiful 8.7%-yielding dividend at the time of writing, and it's not going anywhere (at least not anytime soon) amid the barrage of negative headlines plaguing this market.

Enbridge stock took a one-two punch to the gut

While the company is down big time, it's certainly not out.

Before the [coronavirus/oil crash](#), Enbridge was picking up traction, with meaningful improvements across the board despite the challenges, including regulatory hurdles on its promising growth projects.

Things were finally looking up for Enbridge — until the coronavirus gripped the market, causing everything (including bonds) to sell-off violently. All of a sudden, company specifics no longer mattered, as all sights were set to the gloomy macro picture.

If you're able to look past the intermediate-term haze and see Enbridge stock for what it truly is, you'll have an opportunity to bag a bargain amid one of the worst market meltdowns in recent memory. And in doing so, you'll also lock-in a whopping dividend yield that's yours to keep, even if shares rebound.

Investors need to remember that stocks are still pieces of business, not just a ticker symbol to be collectively thrown out on big-picture news items.

While the coronavirus (COVID-19) and the Saudi-Russia oil price war will dictate the trajectory of Enbridge's business (and its stock) over the near-term, it's still worthwhile for long-term thinkers (those with time horizons beyond three years) to consider the steep discount that's to be had in exchange for the baggage and a great deal of uncertainty.

Enbridge: Peeling off the layers of the onion

Right now, Enbridge is like an onion with many layers of uncertainty. As you're probably aware, there are few things that investors hate more than uncertainty, which is why the discount on Enbridge stock is as steep as it is.

With time, uncertainties will fade away. And positive news *is* still possible even though 2020 has been almost nothing but bad news.

When it comes to Enbridge, the uncertainties couldn't be greater. There's uncertainty with regard to the Saudi-Russia situation (will West Texas Intermediate stay at US\$20 for the long haul, or will the U.S. intervene to ensure its future energy independence?).

There's also great uncertainty surrounding the coronavirus outbreak itself, which has been moving the broader markets. And there's uncertainty about future projects, including the Line 3 Replacement (L3R), which is seen as a significant source of financial relief and growth for Enbridge over the next two years.

Enbridge was finally starting to get back on its feet on news that it could move ahead with L3R. But with oil prices at new depths, the "lower for longer" environment could fuel greater uncertainties as a slew of insolvencies in the oil and gas (O&G) sector are bound to materialize over the coming months.

While midstream players like Enbridge are less sensitive to oil price fluctuations, those players certainly aren't immune to a potential crisis brewing in the oil patch.

Yes, there are great uncertainties, but good things *can* still happen. The next thing you know, the coronavirus will be eradicated, boosting the appetite for stocks, the oil price war could suddenly be off on a call from President Trump, and L3R could be well on its way to completion.

Foolish takeaway

There are plenty of uncertainties surrounding Enbridge. But I see them as potential positive drivers of the stock. Enbridge stock's fate will depend on the outcome of contingent events, but at today's absurd valuations, I must say I'm a massive fan of the risk/reward trade-off.

At the time of writing, Enbridge stock trades at 11 times EV/EBITDA, 1.6 times sales and 1.4 times book. It's as though investors are already expecting the worst, and that's precisely the time when you should adopt a contrarian mindset.

Stay hungry. Stay Foolish.

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