# Market Crash Alert: Is Enbridge (TSX:ENB) Stock a Buy Right Now?

## Description

The COVID-19 pandemic has dragged equity markets lower in the last two months, and several indexes were down close to 35% by mid-March. However, the slowing number of cases in China coupled with government aid has helped equity markets stage a comeback in the last few trading sessions. Now the **iShares S&P/TSX 60 Index** is down 20% from record-highs.



Energy stocks, including **Enbridge** (TSX:ENB)(NYSE:ENB), have been hit hard not just by the COVID-19 but also lower crude oil prices. With oil prices trading at multi-year lows, shares of Enbridge fell from $57.32 on February 12 to $33.06 on March 18. Shares have since gained over 20% but are still down 30% from 52-week highs.

So, is it a good time to buy Enbridge stock now?

## Enbridge is a massive player in North America

Enbridge is one of the largest oil pipeline companies in North America. It has built a diversified energy infrastructure portfolio over the years that will be almost impossible to replicate. The company has a market cap of $81.3 billion and an enterprise value of $158 billion, making it one of the biggest companies in Canada.

A large portion of the company's revenue comes from natural gas transportation, storage, and distribution. Enbridge generates 98% of cash flows from fee-based contracts, making it immune to the fluctuation of commodity prices. So, why has the stock declined over the last two months? As Fool contributor Chris MacDonald stated, investors are worried about the "indirect counterparty risk related to oil producers' ability to pay and/or keep certain covenants of various transportation contracts."

The current prices have made oil production unprofitable, which should drive crude oil higher in the upcoming months. Lower oil prices, like COVID-19, are likely to be a near-term headwind. Companies such as Enbridge that have a strong balance sheet and robust cash flows should be able to overcome the current volatility and remain solid long-term bets.

## Dividend yield of 8.1%

The recent pullback in stock prices has increased Enbridge's forward dividend yield to a juicy 8.1%. This means a $10,000 investment in the stock will result in annual dividends of $810. Enbridge has been one of the top dividend players on the TSX and has increased payouts for eight consecutive years. In the last three years, the energy giant has increased dividends at an annual rate of 9.6%.

Enbridge sold over $8 billion in non-core assets in the last few years and is looking to advance $11 billion in secured capital projects. This will give the company enough liquidity to support its dividend payments in an uncertain macro environment, making a dividend cut unlikely.

## What next for Enbridge investors?

In 2019, Enbridge managed to increase adjusted EBITDA to $13.27 billion from $12.85 billion in 2018. The company aims to lower its debt-to-EBITDA ratio from six to around 4.5 by the end of 2021, which will allow it to increase dividend payments or reinvest additional earnings.

Enbridge's large scale, huge market presence, attractive dividend yield, and steady cash flows make it a winning bet for 2020 and beyond.



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