If You Don’t Buy Enbridge (TSX:ENB) Stock Today, You’ll Kick Yourself Later

Description

Enbridge (TSX:ENB)(NYSE:ENB) stock offers a high yield of 8%. Its dividend appears to be safe, as the company has the balance sheet and liquidity to weather this downturn.

Moreover, it is a Dividend Aristocrat. It marked the 25th consecutive year of dividend increases in Q1 with a 9.8% dividend hike.

Now is the time to accumulate ENB stock and get paid a handsome dividend for a long time.

Resilient business model

Enbridge has a resilient business model. It has set up its business to have minimal commodity price risk. Additionally, approximately 95% of its revenue is from investment-grade customers. So, most of its customers have a good chance of weathering today’s low-commodity price environment.

The company also has cash flow diversity. It generates cash flow from roughly 40 different sources by geography or contract type.

The Spectra acquisition a few years back added wonderful diversification into natural gas, including a large regulated gas utility business.

Enbridge stock: Deleveraged and ready for a downturn

No one foresaw that a novel coronavirus pandemic would devastate the global economy and financial markets. Thankfully, Enbridge stock has gone through tremendous deleveraging efforts in the last couple of years after merging with Spectra.

As a result, Enbridge entered this economic downturn in self-funding mode. It eliminated the dividend-reinvestment plan, which could otherwise have diluted current shareholders. This means after accounting for dividend and maintenance capital, the company still has excess cash to fund its capital program for growth.

Specifically, management is looking forward to refinancing debt at lower borrowing costs without accessing new capital from the markets for a year.

Investors should feel more confident about the stock, as Enbridge has more than $12 billion of liquidity for any debt maturities well into 2021 and to fund growth.

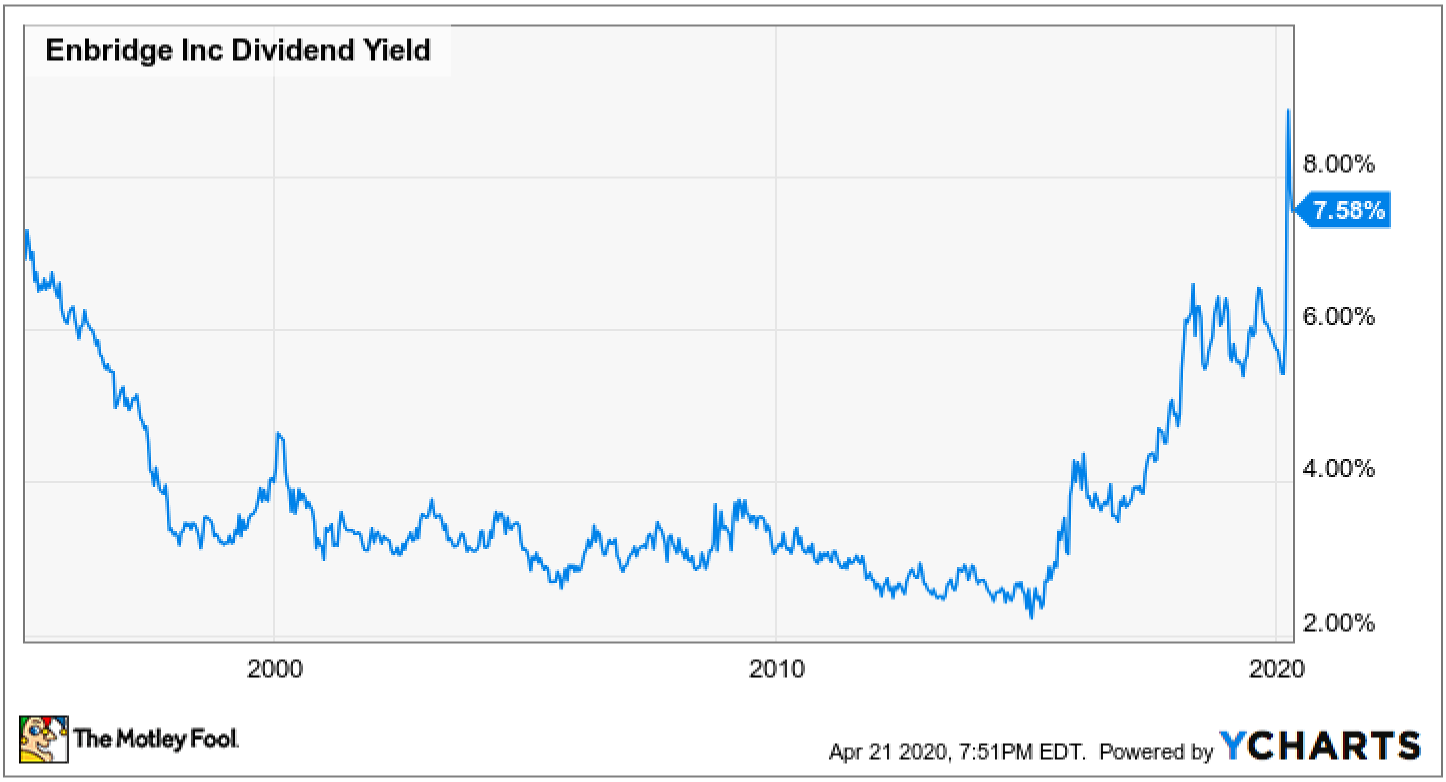
When dealing with the current downturn triggered by needed measures against COVID-19, management has a list of priorities, which are even more stringent than its usual way of doing business.

Priorities include further improving its balance sheet and paying extra attention to returns. The company will look for areas to save costs and increase revenue but also invest in organic low capital-intensive projects. Making the operations more efficient will ultimately improve the company for the long run.

Also, Enbridge continues to work on executing the Line 3 expansion project. First, it needs to get the permits required for construction to start. Once the project is done, it'll give a big boost to the company's cash flow, which would further solidify Enbridge's leading position in North America.

The Foolish bottom line

In a few years, investors will look back and wish they backed up the truck on ENB stock in 2020. Throughout the year on meaningful dips, investors should accumulate the shares and receive a fat dividend.



ENB Dividend Yield data by YCharts.

Today, the stock already provides a fabulous yield of 8.1%, which is high in any standard, including when compared to ENB stock's 20-year dividend yield history displayed in the graph above.

However, beware that the Enbridge CEO warned that the energy demand will likely be the most impactful in Q2. Therefore, Enbridge stock could revisit the $34-36 lows before heading higher. If so, investors would be able to bank on a dividend yield of 9.2%!

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