Enbridge (TSX:ENB) Is One of the Best Stocks to Buy Now

### Description

A sharp — or maybe a prolonged recession is upon us after the Covid-19 pandemic, which means that many companies will fail in the next weeks and months and many more will file for bankruptcies as their cash flows dry up.



In this extremely dismal situation, investors should buy stocks which are among the best to withstand this massive shock. Research has shown that the companies that provide basic services, such power and gas utilities, telecom operators, healthcare providers outperform in economic downturns and recessions.

These companies continue to generate cash flows and distribute most of those inflows in dividends. Earning consistent dividends means you are still getting income while waiting for the markets to recover.

If you're planning to buy dividend stocks right now, North America's largest pipeline operator **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) is one of your best bets.

The company operates across North America, fuelling the economy and fulfilling consumers' energy needs. Enbridge moves nearly two-thirds of Canada's crude oil exports to the U.S., transports about 20% of the natural gas consumed in the U.S., and operates North America's third-largest natural gas utility by consumer count.

## Enbridge's dependable cash

Enbridge is largely insulated from swings in commodity prices, as it sets prices for transporting oil and gas in long-term contracts. Its clients include some of Canada's largest energy companies, including **Imperial Oil Ltd.** and **Suncor Energy Inc.**, providing a source of dependable future cash.

Enbridge's $37-billion acquisition of **Spectra Energy** in 2017 has added a growing natural gas business to Enbridge's portfolio, helping the utility maintain its track record for hiking dividends, with average increases of 11% annually over the past 15 years.

Another reason to buy a dividend stock like Enbridge is that when interest rates fall, these stocks become more attractive.

Enbridge, which currently yields about 7.87% a year, is offering quite an attractive risk/reward equation. Its current return is among the best you can earn from other Canadian utilities. Enbridge pays $0.81 a share quarterly dividend.

That said, it would be unfair to say that Enbridge stock carries no risk when the energy sector is going through big pain after the collapse in oil prices. If oil doesn't recover, Enbridge might delay some of its development plans.

These big-ticket projects include $2.9-billion to complete the final U.S. section of the Line 3 pipeline, which runs from Alberta to Minnesota, and rebuilding part of a second pipeline, Line 5, in Michigan. Enbridge also plans to spend $1.8-billion on an offshore wind farm in France.

Some of this work might be deferred and delayed due to the pandemic, Enbridge CEO Al Monaco told *The Globe and Mail* in a recent interview.



"But $5-billion in funding for new projects is already locked down, and the CEO is confident he can raise an additional $6-billion from lenders," according to the interview.

## Bottom line

Trading at $42.66 at writing, Enbridge stock has lost 17% of its value so far this year, slightly underperforming the benchmark **S&P/TSX Composite Index**.

But that weakness, in my view, is a buying opportunity for investors with a long-term investment horizon who want to earn higher dividend yield from a dependable energy utility.

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