Enbridge (TSX:ENB): Should You Buy This High-Yield Stock Now?

**Description**

The Canadian stock market continues to rally off the March 2020 low. Investors who missed the initial bounce want to know which top dividend stocks are still cheap today.



Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) to see if it deserves to be on your buy list.

## Outlook

The **TSX Index** is up more than 30% since hitting the low in March. Plans to end lockdowns and get the economy moving again have investors feeling hopeful that a quick economic recovery is on the way. As businesses re-open and people go back to work, demand for fuel should rise.

Improved refinery demand for crude oil feedstock bodes well for Enbridge. The company is a leading player in the North American energy infrastructure sector. Enbridge transports about 25% of all oil produced in Canada and the United States and moves nearly 20% of all natural gas used south of the border.

Enbridge also has natural gas distribution utilities and a renewable energy division with solar, wind, and geothermal assets.

## Results

Enbridge just reported Q1 2020 results that came in better than analyst expectations. The company had adjusted earnings of $1.67 billion, or $0.83 per share, in the quarter, compared to adjusted earnings of $1.64 billion, or $0.81 per share, in Q1 2019.

Distributable cash flow came in at $2.71 billion compared to $2.76 billion in the same period last year.

Enbridge is adjusting to the economic impact of the pandemic. The firm plans to reduce 2020 operating costs by $300 million and will delay $1 billion of the original 2020 capital program.

The Liquids Mainline system saw volumes drop from an average of 2.84 million barrels per day (bpd) to about 2.44 million bpd. Reduced consumption by refineries that make jet fuel, gasoline, and diesel fuel is to blame.

The Mainline system accounts for roughly 30% of Enbridge's EBITDA and is traditionally at maximum utilization. Management expects volumes to remain reduced through the end of June, but a rebound is anticipated through the second half of 2020.

The natural gas transmission, distribution and storage businesses, and the renewable energy operations are not expected to see meaningful financial impacts due to the lockdowns. Gas transmission accounts for 30% of anticipated 2020 EBITDA. Revenue coming from the gas-distribution utilities and the power generation group are responsible for roughly 17% of expected EBITDA.

Distributable cash flow guidance of $4.50-4.80 per share for 2020 remains in place. That's important news for dividend investors.

The company maintains a strong balance sheet and monetized an additional $400 million in assets in the first three months of 2020. This follows nearly $8 billion in non-core assets sales in recent years to refocus the company on regulated businesses.



## Should you buy Enbridge today?

The stock jumped about 5% on the positive Q1 results. With better clarity on management's outlook for the year, investors could push the stock higher in the coming months.

Enbridge hit a closing low of $34 per share in March. At the time of writing, the stock is back above $45. This is still well off the 2020 high of $57. The five-year peak is around $62.

Investors who buy now can pick up a solid 7% dividend yield. If you have some cash on the sidelines and are searching for a reliable high-yield pick for a dividend-focused portfolio, Enbridge should still be a solid buy-and-hold pick at this level.

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