Buy Enbridge (TSX:ENB) Stock at a Bargain Price Now

Description

So far in 2020, insiders bought more than $2,000,000 worth of **Enbridge** (TSX:ENB)(NYSE:ENB) stock. What's exciting is that investors can now buy the stock at a better price than insiders!

Year to date, insiders bought Enbridge stock at an average price of $44.52 per share. There was net buying in the stock with only one insider selling a portion of their position at $45.25. He probably did so to lock in profits after the Canadian Dividend Aristocrat appreciated by about 33% from a March low.

Of the more than $2,000,000 worth of shares, insiders are still holding 92% of it. Therefore, management is still very bullish on the long-term outlook of the business.

COVID-19 impacts on Enbridge

Enbridge is a quality energy company with top-tier resiliency against low energy prices and in economic downturns. However, it doesn't expect to be entirely immune to COVID-19 impacts due to the global economy severely contracting and energy demand disruption.

Due to its financial strength and diversified assets, including its gas distribution and storage business, Enbridge should be well positioned to persevere through these stressful times.

In the first quarter, Enbridge's adjusted EBITDA remained steady at $3,763 million against $3,769 million in Q1 2019. Adjusted earnings per share increased to $0.83 against $0.81. And its distributable cash flow was decently stable at $2,706 million versus $2,758 million. Its Q1 distributable cash flow per share was $1.34, which represented a payout ratio of about 60%.

Due to COVID-19, Enbridge will be moving $1 billion of its planned capital spending this year to 2021 instead. Enbridge also aims to reduce costs by roughly $300 million this year, including company-wide salary rollbacks. These help improve the company's resiliency through this economic downturn. The company's available liquidity is now lifted to about $14 billion.

In subsequent quarters, we shall have greater clarity on COVID-19's short-term impacts on the company.

Dividend and upside

The Canadian Dividend Aristocrat has an impressive record of increasing its dividend by 24 consecutive years. Its 10-year dividend-growth rate of approximately 15% is nothing to sneeze at. Going forward, investors should expect a period of slower growth, though.

That said, Enbridge stock's dividend yield of 7.9% gives investors a big reason to hold the stock. From the dividend alone, investors can beat the average annualized market returns of 7%.

ENB stock had a correction of about 10% recently. At writing, it trades at just below $41 per share. Based on its trading history since 2012, the stock trades at a discount of roughly 25%.

Interestingly, analysts' average 12-month price target on the stock is $51.30 per share, which represents near-term upside potential of about 25%. That's decent upside for a blue-chip company.

The Foolish takeaway

Investors can currently capture Enbridge stock at a discount to what insiders paid year to date. That's a bargain price! Moreover, investors should be delighted to receive a juicy yield of 7.9%.

This can be a passive investment that doesn't require any work from investors, other than buying the initial shares, to get a decent return from dividends.

Alternatively, investors can choose to trade the stock by aiming to buy low and sell high while getting dividends in the interim.

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