Should You Buy Enbridge (TSX:ENB) and TC Energy (TSX:TRP) Stock at Current Levels?

Description

Shares of the energy infrastructure companies are under pressure. An uncertain energy outlook and the continued spread of the virus has decimated demand for crude oil and has weighed on the stock prices of these companies.

Shares of **Enbridge** (TSX:ENB)(NYSE:ENB) and **TC Energy** (TSX:TRP)(NYSE:TRP) have declined over 21.4% and 15.7%, respectively, on a year-to-date basis, despite having a well-diversified and low-risk business. So, should you buy the shares of these beaten-down energy infrastructure companies?

Enbridge's incredible dividend yield

While a decline in throughput volumes amid lower oil demand could remain a drag in the near term, Enbridge could easily navigate the current crisis, thanks to its diverse revenue sources spread across multiple commodities and contractual agreements.

Investors should note that Enbridge derives the majority of adjusted EBITDA from businesses having long-term agreements that include cost-of-service arrangements and take-or-pay contracts to eliminate volume and price risk. Enbridge's gas transmission business has reservation-based revenue contracts. Meanwhile, its renewable power division benefits from long-term power-purchase agreements.

Amid the uncertainty, Enbridge is also focusing on lowering expenses to support its bottom line and cash flows, which is encouraging. Further, the company reaffirmed its 2020 distributable cash flow (DCF) outlook. It projects DCF per share to be $4.50 to $4.80 in 2020. The reiteration of its guidance amid challenges suggests that its payouts are very safe. Currently, Enbridge offers an excellent dividend yield of 8.4%.

TC Energy remains insulated

Despite the disruption from the pandemic, TC Energy's high-quality assets haven't been impacted. The company continues to witness robust utilization of its energy utilization assets, which is positive. TC Energy remains insulated from the fluctuations in volume throughput and commodity prices. It generates nearly 95% of its adjusted EBITDA from assets that have long-term contracts or are rate regulated.

It has not witnessed any pronounced changes in the utilization of its assets or supply-chain until now, which is incredible and strengthens the bull case. With $100 billion in assets and $37 billion secured capital program, TC Energy offers a solid growth.

Similar to Enbridge, TC Energy also has a strong reputation for boosting its shareholders' returns through higher dividends. TC Energy's dividends have grown at a high single-digit rate over the past two decades, thanks to its consistent earnings and cash flows. The company expects its annual dividends to increase by 8-10% in 2021. It projects 5-7% growth in its dividends beyond 2021. Currently, TC Energy offers an attractive dividend yield of 5.8%.

Here's what to do with Enbridge and TC Energy stock

Long-term investors could consider accumulating the shares of Enbridge and TC Energy at these levels.

Investors should note that both these companies are offering high dividend yields, which are backed by diversified and robust cash flows. Also, the virus will eventually fade away, thus driving demand for the crude oil and, in turn, the share prices of these companies.

Both Enbridge and TC Energy offer packages that include solid dividend income and a strong chance of capital appreciation in the long run.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/07/06
Date Created
2020/10/05
Author
snahata