Enbridge (TSX:ENB) Stock: Is It a Buy Before Q3 Results?

Description

As oil prices slump to seven-month lows, companies in the energy sector have started experiencing a sell-off once again. Heavyweights like **Enbridge** (TSX:ENB)(NYSE:ENB), who pretty much have a monopoly on oil and gas pipelines in Canada and operates extensively in the U.S. also haven't been spared. The stock has lost close to 10% of its market value since mid-September.

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The question to be asked is should you load up on Enbridge stock before it starts to move up again?

Enbridge continues to generate assured revenues and cash flows

There are a lot of uncertainties in global economies today. The second wave of the pandemic, the lack of a coherent message on another fiscal stimulus, the U.S. election, as well as tepid oil demand in Europe and Asia. However, one factor that will remain constant is Enbridge's EBITDA and cash flow.

The company enters into long-term contracts with suppliers to transport oil and natural gas across the continent. This means that irrespective of oil prices, Enbridge gets a fixed cheque. The company transports 2/3rd of all Canadian crude exports and around 25% of all crude oil in North America. If any company in Canada is producing oil, you can be assured that it is likely to be transported through Enbridge pipelines.

The company is on track to deliver its full-year cash flow guidance and says it expects cash flow per share to be around $4.5-$4.8 per share. Assured revenues and cash flows are a safe and comforting cushion in today's volatile environment.

Enbridge has a liquidity buffer of $14 billion to power through the pandemic and the company has also invested $8 billion into renewable projects to ensure that it has a strong future to look forward to.

Growing dividends extremely attractive for income investors

Enbridge has increased its dividend payout every year for the last 25 years. The company's dividend CAGR rate stands at an enviable 11% in the last two and a half decades. This year, as a majority of energy companies either cut or suspended dividends, Enbridge has increased it. The dividend yield is at a tasty 8.83%. It's not often that you get solid companies with great yields at such low prices.

The company has also said that it will grow its dividend yield by around 4% over the next couple of years. I would estimate that the market has already factored in a Joe Biden win for the U.S. presidency, why is why Enbridge shares are trading at $36.41. If Trump wins again, there will be a rally in the stock. If he doesn't, I don't see the stock falling a lot.

The Foolish takeaway

Regardless of who wins the election, I believe that Enbridge is oversold. The stock has been given a target of $51.55 by analysts. That's an upside of over 40% from current levels which means total returns can touch 50% after accounting for its dividend yield. If oil gets back to $40, expect the markets to be very generous to ENB stock.

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Date
2025/08/25

Date Created
2020/11/03
Author
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