Income Investors: Enbridge (TSX:ENB) Stock Is Nearing a Massive Buy Level

Description

Things were starting to look bright for shares of **Enbridge** (TSX:ENB)(NYSE:ENB) before the coronavirus crisis caused shares to surrender all of the ground gained in recent years, and then some. Today, Enbridge stock is at a fresh multi-year low at $36 and change, while its dividend yield has swelled just north of 8.8%.

As you may know, Enbridge has one of the most shareholder-friendly management teams out there. As I've noted in many prior pieces, Enbridge's managers are ready and willing to swim to great lengths to avoid a dividend cut, even if it meant borrowing money or disposing of non-core assets to finance the ever-growing commitment and "promise" to shareholders.

Enbridge: A case of a management team that's too shareholder friendly?

I've described Enbridge as a company that may be *too* shareholder friendly for their own good. Although I'm sure many folks would argue that the midstream kingpin had not earned the right to keep its hefty dividend intact through this crisis, I continue to think that Enbridge will only resort to taking its dividend to the chopping block if it's the only course of action.

The question on the minds of many Canadian investors is, will Enbridge be pressured to the point where it can no longer justify non-core asset sales to finance its dividend? While there are medium-term catalysts that could provide some financial relief to the firm and improve its dividend-payout prospects, income investors should not expect the firm to pass high regulatory hurdles without some expectation from further stumbles.

Enbridge has been plagued with project delays well before the coronavirus crisis hit. And while the near-term future and safety of the dividend are up in the air, I think income investors should buy the stock.

Why a potential dividend cut won't be detrimental for Enbridge investors

Even if worse comes to worst and Enbridge is forced to slash its dividend, I think the magnitude of the cut will be far less than most expect. I think Enbridge's management team is too shareholder friendly to just cut the dividend right down the middle (or worse) as many other energy players have in recent months. Moreover, when the tides finally have the opportunity to turn, I suspect the dividend will be quick to return once there is evidence of a sustained turnaround.

For now, the dividend remains stretched. As such, I'd encourage investors to only invest in the name if they don't depend on their quarterly income to meet their daily living costs. Even the most shareholder-friendly company on the planet can take the axe to their dividend if a firm is pressured enough. There's no telling how much longer the current crisis will last. However, I think the stock is too cheap to ignore for those willing to take on short-term pain for long-term gain.

Enbridge stock looks pretty timely here

Now, we're all about the fundamentals here at the Motley Fool. But one can't help but notice the compelling technical picture that's been painted in recent weeks. Enbridge stock has been a falling knife, but with share nearing their $36 level of support, I think the falling knife could be in a spot to ricochet. Combine the strong technical support with the stock's severe undervaluation relative to that of its historical averages, and I think Enbridge is a must-buy for income and value investors alike.

Foolish takeaway

Even if Enbridge is pressured enough to slash its dividend, I think such a cut would be modest in nature such that the post-cut yield would still be quite generous given the circumstances. I'm not a huge fan of the pipelines here, but as Enbridge is a best-in-breed pipeline stock, I'm willing to make an exception while shares trade at just 1.3 times book value.

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