Enbridge (TSX:ENB): Why This TSX Giant Is a Good Buy for 2021!

### Description

**Enbridge** (TSX:ENB)(NYSE:ENB) has been one of my favorite stocks to recommend all through the pandemic. It is a midstream oil and gas company that operates in Canada and the U.S. It is also one of the safest stocks around that pays a dividend yield of 7.51%.



## ENB stock is undervalued

The company stands out among its competition. Bond investors for Enbridge are willing to pay out all the way to July 2112, which's 91 years from today! How's that for stability! Its dividends are also one of the safest in the sector.

Enbridge transports 25% of crude in North America and also transports 20% of the natural gas consumed south of the border. The company has a clear focus on long-term growth and shareholder returns. Its $16 billion growth program secured through 2023 is expected to provide a massive $2 billion+ in incremental EBITDA. The company expects to see 4-5% annual DCF growth in the next several years.

Enbridge has some of the lowest borrowing costs in the industry today and it ended Q4 with a cash balance of around $10.4 billion which indicates it has enough liquidity to navigate a sluggish macro environment. These dual swords send a strong signal to the markets. There is little danger that Enbridge will run default on debt obligations as 95% of its contracts are with investment-grade counterparties.

Enbridge generated around $300 million in cost savings in 2020 even as the company lost around 400,000 barrels per day of volume in Q2 of 2020 in the liquids segment. The company now plans to add $100 million in savings this year. A key point to note is that Enbridge didn't avail of any government programs to record these numbers.

As Al Monaco, CEO and President, Enbridge said, “So bottom line, in what has been the worst economic and energy downturn in decades, we grew cash flow, increased the dividend when others went the other way and we ended the year with an even stronger balance sheet.”

## What to expect from Enbridge in 2021?

Crude oil prices have moved from $48.52 on December 31 to over $64 currently. That’s a growth of almost 28%. The rally in oil (and energy) prices bodes well for Enbridge. Oil companies will increase production and that should mean more volume in Enbridge pipelines. As the company looks to shore up cash, 2021 could turn out to be a bountiful year for the company.

The company’s renewables business is also picking up and it increased sales by $80 million compared with 2019. According to Enbridge, “This includes contributions from the two German offshore wind farms placed into service in late 2019 and early 2020; good wind resources at both our Canadian and U.S. facilities; and finally, about $40 million in insurance-related settlements.”

The company has reaffirmed the 2021 DCF per share guidance range of between $4.7 to $5 and EBITDA in the range of $13.9 billion to $14.3 billion.



Once the final leg of the Line 3 Replacement Project in Minnesota is completed (Enbridge is targeting a timeline of Q4 2021 in-service), the company expects to generate $5 billion-$6 billion of annual investment capacity.

Analysts have given the stock a target of $51.31, an upside of over 15% from current levels.

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