



Will Enbridge (TSX:ENB) Stock Rise 100% or Fall 50%?

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock is at a crossroads. There's a future where shares double in value, but there's another where their value is slashed in half.

There's opportunity here, but only if you pay attention.

Pay attention to these details

Enbridge is one of the biggest pipeline operators in the world. It's the largest in North America. That means it makes money by transporting fossil fuels from one place to another. As long as the world consumes oil and natural gas, there will be a place for its network.

While the company largely charges for its services based on volumes, not commodity prices, it still is exposed to long-term pricing fluctuations. After all, you're able to charge one price for a customer making heavy profits at \$100 per barrel oil versus another price when customer margins are thin, say at \$50 per barrel.

Volume-based pricing means Enbridge is insulated from short-term swings in commodity prices. But what happens when we're in a lower-for-longer scenario? What happens when oil demand goes on a multi-decade decline due to regulatory and climate-related pressures? Then there could be trouble.

The trick is to understand how pipeline networks are built. This type of infrastructure can cost millions of dollars per kilometer to construct, so businesses like Enbridge take out of a ton of debt, hoping to pay down those loans once the pipeline enters service.

For decades, this strategy worked perfectly because pipeline demand kept going up. But if fossil fuel consumption has already peaked globally, as oil heavyweight **BP** believes, Enbridge could be forced to pay off these long-term loans with slimmer and slimmer cash flows.

This dynamic could force a reckoning. But before it does, there could be opportunity.

Time to buy Enbridge stock?

Here's the good part: the market already understands this story well, pricing ENB stock at a multi-year low. The dividend, which has been raised every year since 1995, now pays nearly 8% on an annualized basis. Compared to its past, this stock is *super* cheap.

Shares are cheap, but Enbridge's challenges aren't necessarily arriving this year. In fact, it could take another decade before pipeline profitability slips below the required level to service debt payments.

"Now that growth opportunities are limited, the market has soured on the stock, but it still has plenty to offer in terms of income," I recently [explained](#). "Don't expect double-digit returns for decades on end, but as Enbridge shares stabilize, there's an opportunity for reliable, market-leading dividend income."

This is especially true since many former growth investments are set to come online. With few places to put that inbound cash, expect it to go straight to shareholders. Just look at the new Line 3 project.

"Once Line 3 is in service, it's going to contribute a lot of free cash flow — and this year we anticipate it will be about \$200 million in Q4 — with volumes and EBITDA ramping up in 2022," [said](#) CEO Al Monaco.

Enbridge stock won't rise by 100% or fall by 50% this year. Instead, it'll likely become a slow-moving income investment, perfect for those chasing big but reliable dividends.

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