



Enbridge Bulls Active into Weakness

Ticker/Price: ENB (\$30.95)

Analysis:

Enbridge (ENB) a \$63.5B energy infrastructure company in Canada that has always held up better than peers has seen some bullish activity recently with 5000 January \$30 calls opening \$3.30 and 5000 of the April \$27.5/\$22.5 put spreads sold to open. It also has 5000 April \$35 puts in open interest that were sold to open on 11/11/2019 that are underwater sharply. ENB shares dipped below 2016 lows last week before managing to close just above key volume node support \$30.70, a large gap overhead to fill back to \$35.65. ENB shares trade 12X EBITDA, 14.7X Earnings and now yields a 7.75% dividend. Forecasts see 2020 as a challenging year before returning to 5% EBITDA growth in 2021. ENB is the largest midstream player in North America delivering 25% of the crude oil transported and 20% of the Natural Gas. It has predictable cash flows with 98% contracted and Debt to EBITDA in the 4.5-5X target range while having industry-leading ESG policies. Analysts have an average target of \$42.50 and short interest low at 0.9% of the float. ENB raised its dividend by nearly 10% in December. Goldman cut shares to Sell on 2/23 with EBITDA estimates below the consensus. BAML started shares Buy in December with a \$45 target noting it is the industry leader. Argus sees it as the leader in midstream with an extensive infrastructure network and a strong dividend yield and stable cash flows makes it attractive in a low return fixed income environment. Hedge Fund ownership fell 4% in Q4 filings.

Hawk Vision:



Hawk's Perspective: ENB offers a fat yield and is one of the few high quality names in the Midstream group, but like others names have to see some stabilization in Energy.

Confidence Ranking: \$\$