Enbridge Reports Loss, Should Investors Be Concerned?

Description

For the first time in two years, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) posted a quarterly loss – earnings per share came in at -$0.32 for the fourth quarter of last year.

There is no need to be alarmed; it was hedging costs that made the difference. On an adjusted basis, Enbridge put up a gain of $0.44 per share, just a penny shy of analyst estimates. The company was also able to surpass revenue expectations, with sales of $8.3 billion in the fourth quarter, an 18% increase year over year.

Investors should not be worried or upset by the hedging losses, because hedging is an integral part of the company's strategy. As the company put it in its latest press release, "the Company believes that the hedging program supports the generation of reliable cash flows and dividend growth." In today's environment, it is those two things that investors demand most, and have played a major part in Enbridge's share price doubling over the past four years.

Enbridge's fourth quarter will probably be best remembered for the positive developments regarding its proposed Northern Gateway pipeline. Although the $6.5 billion project still has many determined opponents, the National Energy Board's decision in December to recommend the project was a major step forward.

The future continues to look bright for Enbridge. With oil sands output set to double to 4.5 million barrels per day by 2025, energy producers will need Enbridge to move that product to coasts and refineries. The company is planning to invest $36 billion (almost as much as its $40 billion market capitalization) worth of projects through 2017, and given the need for pipeline infrastructure, those projects will likely end up being worth the investment.

These same dynamics are also benefiting Canada's other major pipeline operator, **Transcanada Corporation** (TSX:TRP)(NYSE:TRP). Not surprisingly, Transcanada is spending a similar amount of money on new projects ($38 billion) by the end of the decade. Also like Enbridge, Transcanada has been able to provide its investors with a smooth earnings profile, which helps explain why the company's shares trade at 25 times earnings.

Foolish bottom line

Most importantly for Enbridge, the general story remains the same. The company is loved for its smooth earnings profile, which has allowed it to make every dividend payment for 60 years. Investors who put a major emphasis on consistent earnings should consider owning the shares. And those who do own the shares surely can sleep easily.

CATEGORY

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Date
2025/09/14
Date Created
2014/02/17
Author
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