



1 Reason to Buy Enbridge Inc. Now

Description

Last week, **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)) soared on news of the company's massive restructuring plans. Shares were up about 18% at one point and later ended the day up 10%. I'm sure many investors must have kicked themselves for not owning the stock, but it's not too late to reap the benefits of this company.

Despite valuations being higher, there's still one huge reason why investors should buy the stock: dividends.

The main reason that drove the stock higher was Enbridge's announcement of bumping its dividends over the next few years. The company said it would boost its dividend by a massive 33% starting in 2015, and then after that through to 2018, Enbridge intends to raise the dividend by 14-16%. That's compared to the previous expectations of about 10-12%.

These are big promises. How does the company plan on delivering? Well, it has divested about \$17 billion worth of assets from its liquid pipeline business by dropping it down into its subsidiary company, **Enbridge Income Fund Holdings** (TSX: ENF).

By doing so, Enbridge has freed up cash and made some room in terms of its capital expense at the corporate level. The liquid pipeline business still needs a significant amount of funding that has yet to happen. Although the assets dropped down were worth \$17 billion in book value, there is another \$15 billion that needs to be spent to build the pipelines. Now that Enbridge has dropped these assets into its subsidiary, the company is looking to raise about \$3 billion of that capital through Enbridge Income Fund Holdings. This means there's about \$3 billion freed up to pump into dividends. And because of the structure of the company, this move also allows Enbridge to increase its earnings at the EPS level.

The stock did look expensive last week at around \$65.13 when it made new highs. At that price, it would be silly to buy into the stock given the price increase. However, since then, shares have pulled back a little and Enbridge is now trading around the \$58.50 mark. This is a much more modest value for Enbridge given the opportunities lying ahead for investors.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

Category

1. Energy Stocks
2. Investing

Date

2025/07/21

Date Created

2014/12/09

Author

sandram

default watermark

default watermark