



Enbridge Inc. or Pembina Pipeline Corp.: Which Is the Better Buy Today?

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) and **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)) are two of North America's largest owners and operators of pipelines and storage facilities for the oil and natural gas industries. Both stocks represent great long-term investment opportunities today, but the laws of diversification state that we cannot own both, so let's take a closer look at the companies' first-quarter earnings results, their stocks' valuations, and their dividend yields to determine which stock is the better buy today.

Enbridge Inc.

Enbridge's stock has fallen about 7% year-to-date and it has remained relatively unchanged since it announced its first-quarter earnings results on the morning of May 6. Here's a summary of 10 of the most notable statistics from its report compared to the year-ago period:

1. Adjusted net income decreased 4.9% to \$468 million
2. Earnings per share decreased 6.7% to \$0.56
3. Revenue decreased 24.6% to \$7.93 billion
4. Average deliveries increased 16.1% to 2.21 million barrels per day in its Canadian Mainline segment
5. Average deliveries increased 21.5% to 815,000 barrels per day in its Regional Oil Sands System segment
6. Average deliveries decreased 18.5% to 150,000 barrels per day in its Spearhead Pipeline segment
7. Average throughput volume increased 4% to 1.86 billion cubic feet per day in its Vector Pipeline segment
8. Average throughput volume decreased 16.4% to 1.15 billion cubic feet per day in its Enbridge Offshore Pipelines segment
9. Gas distribution sales increased 43.2% to \$1.59 billion
10. Cash provided by operating activities increased 353.5% to \$1.51 billion

At today's levels, Enbridge's stock trades at 25.2 times its median earnings per share outlook of \$2.20

for fiscal 2015 and 20.9 times analysts' estimated earnings per share of \$2.65 for fiscal 2016, both of which are inexpensive compared to the industry average price-to-earnings multiple of 26.3 and its five-year average multiple of 39.3.

In addition, Enbridge pays a quarterly dividend of \$0.465 per share, or \$1.86 per share annually, giving its stock a 3.35% yield at current levels. The company has also increased its annual dividend payment for 19 consecutive years, and it expects to increase it by 14%-16% annually through 2018, making it one of the top dividend growth plays in the market today.

Pembina Pipeline Corp.

Pembina's stock has fallen about 7% year-to-date and it too has remained relatively unchanged since it announced its first-quarter earnings results after the market closed on May 5. Here's a summary of 10 of the most notable statistics from its report compared to the year-ago period:

1. Net income decreased 18.4% to \$120 million
2. Earnings per share decreased 22% to \$0.32
3. Revenue decreased 34.4% to \$1.15 billion
4. Conventional Pipelines throughput volume increased 14.5% to 633,000 barrels per day
5. Gas Services average volume processed increased 28.4% to 113,000 barrels of oil equivalents per day
6. Midstream natural gas liquids sales volume decreased 3% to 129,000 barrels per day
7. Operating margin decreased 18.9% to \$284 million
8. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 24.1% to \$240 million
9. Gross profit decreased 24.5% to \$228 million
10. Adjusted cash flow from operating activities decreased 19.3% to \$213 million

At current levels, Pembina's stock trades at 33.2 times fiscal 2015's estimated earnings per share of \$1.19 and 27.6 times fiscal 2016's estimated earnings per share of \$1.43, both of which are above the industry average price-to-earnings multiple of 26.3 and mixed compared to its five-year average multiple of 28.2.

Additionally, Pembina pays a monthly dividend of \$0.1525 per share, or \$1.83 per share annually, which gives its stock a 4.6% yield at today's levels. The company has also increased its dividend for four consecutive years, and as long as commodity prices continue to recover over the next few months, I think this streak will continue in 2016.

Which is the better buy today?

After comparing the companies' first-quarter earnings results, their stocks' valuations, and their dividend yields, I think Enbridge represents the better long-term investment opportunity today. Pembina has a higher dividend yield, but Enbridge posted better first-quarter earnings results, and most importantly, its stock trades at much more attractive valuations, so I think it is the clear winner of this matchup. Foolish investors should take a closer look and strongly consider beginning to scale in to positions in Enbridge today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/22

Date Created

2015/06/12

Author

jsolitro

default watermark

default watermark