# Enbridge Inc.: 2015 Year-End Review and 2016 Preview

## Description

Over six decades, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) has become a leader in the safe and reliable delivery of energy in North America. The company transports energy, including crude oil and liquids, natural gas, and power.



Enbridge also generates energy using renewable assets of wind, solar, and geothermal power. And it has a natural gas distribution system that serves in Ontario, Quebec, New Brunswick, and New York State.

Enbridge was a darling dividend-growth stock from the last recession until April 2015 when it started turning the other way price-wise.

**Why price fell 35%**

Since April, Enbridge has fallen 35% from $65 to the current levels of below $42. What's scaring the market is that the oil price has fallen to the US$40 level from over US$100 in mid-2014.

The lower oil price is causing oil patches to shut down, which should lead to lower transportation of oil and gas. So, that would affect Enbridge's bottom line.

**But…**

Enbridge has shown promising growth. From 2008's low of $20 to $65 this past April, Enbridge appreciated 225%. In the same period, its quarterly dividend increased from 19 cents to 46.5 cents per share at a compounded annual growth rate (CAGR) of 13.6% per year over those seven years.

Although Enbridge's price has gone south recently, it continues to pay a high dividend that is supported by cash flow.

Investors should remember Enbridge is growing in the renewable energy space as well. In November 2015, Enbridge acquired interests in two wind projects. In total, Enbridge has interests in almost 2,000 megawatts of renewable and alternative generating capacity.

**2015 business performance and dividend**

In its December 3 presentation, Enbridge gave 2015 guidance of adjusted earnings per share (EPS) of $2.05-2.35 and available cash flow from operations (ACFFO) per share of $3.30-4.00

Even when considering the lower guidance, Enbridge's payout ratio for 2015 would be 91% based on EPS and the payout ratio would be 56% based on ACFFO.

This year is Enbridge's 19th year of increasing dividends. The company also announced a dividend increase that starts in the first quarter of 2016. The dividend was increased to 53 cents per share, or an annualized rate of 14%.

**2016 forecasts and beyond**

Enbridge anticipates 2016 ACFFO per share to be $3.80-4.50. The projected annual payout of 2016 is $2.12 per share, which would indicate a payout ratio of 47-56%.



Enbridge expects its $38 billion capital program to drive ACFFO growth at a CAGR of 15-18% from 2014 to 2019. That growth would support dividend growth at a CAGR of 14-16% through 2019.

**In conclusion**

Since 2008, Enbridge's EPS guidance has been on the mark compared to actual results. In the same period it delivered earnings growth, dividends also grew at a CAGR of 13.6%. Because Enbridge's cash flow covers its dividend, it is safe. That's why it has announced 14% dividend growth for March 2016.

Enbridge has an S&P credit rating of BBB+, which indicates good financial strength. A conservative fair value estimate of Enbridge is at least $50. So, after this year's pullback it's discounted by at least 16%. At under $42, it yields 5% that it forecasts to grow on average 14-16% through 2019.

I believe Enbridge is a top dividend stock, and any rebound in the oil price can only help the company.

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1. Dividend Stocks
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