Enbridge Inc.'s Adjusted Q4 EPS Jumps 18.4%: Should You Buy Now?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB), the largest owner and operator of pipelines and one of the leading providers of contract crude oil storage in North America, announced strong fourth-quarter earnings results on the morning of February 19, but its stock has responded moving lower.

Its stock now sits more than 34% below its 52-week high of $66.14 reached back in April 2015, so let's break down the report and its fundamentals to determine if we should consider using this weakness as a long-term buying opportunity, or if we should wait for an even better entry point in the trading sessions ahead.

A solid quarter of top- and bottom-line growth

Here's a summary of Enbridge's fourth-quarter earnings results compared with what analysts had projected and its results in the same period a year ago.

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted Earnings Per Share	$0.58	$0.52	$0.49
Revenue	$8.91 billion	$9.02 billion	$8.80 billion

Source: Financial Times

Enbridge's adjusted earnings per share increased 18.4% and its revenue increased 1.3% compared with the fourth quarter of fiscal 2014.

Its very strong earnings-per-share growth can be attributed to adjusted net income increasing 20.8% to $494 million, which was driven entirely by 200% growth to $369 million in its Sponsored Investments segment, and this segment includes the company's 89.2% economic interest in the Fund Group, its 35.7% economic interest in **Enbridge Energy Partners, L.P.**, and its interests in two expansion projects held through Enbridge Energy, Limited Partnership.

Its slight revenue growth can be attributed to its transportation and other services revenues increasing

22.5% to $2.17 billion, but this growth was almost entirely offset by its commodity sales decreasing 1.9% to $6.07 billion and its gas distribution sales decreasing 19.5% to $672 million.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Average deliveries increased 9.2% to 2.39 million barrels per day in its Lakehead System segment
2. Average deliveries increased 8.6% to 2.24 million barrels per day in its Canadian Mainline segment
3. Average deliveries increased 0.1% to 726,000 barrels per day in its Regional Oil Sands System segment
4. Average throughput decreased 3% to 1.64 billion cubic feet per day in its Alliance Pipeline U.S. segment
5. Average throughput decreased 4.3% to 1.48 billion cubic feet per day in its Alliance Pipeline Canada segment
6. Gas distribution volumes decreased 9.3% to 117 billion cubic feet
7. Available cash flow from operations increased 43.6% to $876 million
8. Cash provided by operating activities increased 22.9% to $806 million

Should you buy Enbridge today?

It was a great quarter overall for Enbridge given the many headwinds facing the energy sector, so I do not think the market has reacted correctly by sending its shares lower. With this being said, I think the post-earnings weakness represents a great long-term buying opportunity for two primary reasons.

First, it's undervalued. Enbridge's stock trades at just 19.5 times fiscal 2015's adjusted earnings per share of $2.20 and only 17.3 times fiscal 2016's estimated earnings per share of $2.48, both of which are inexpensive given its five-year average price-to-earnings multiple of 64.4 and its estimated 10.9% long-term earnings growth rate.

Second, it has one of the best dividends in the market. Enbridge pays a quarterly dividend of $0.53 per share, or $2.12 per share annually, which gives its stock a high and safe yield of about 4.9%. Investors must also note that the company has raised its annual dividend payment for 20 consecutive years, and its 14% hike in December 2015 has it on pace for 2016 to mark the 21st consecutive year with an increase.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Enbridge to begin scaling in to long-term positions.

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