



Enbridge Inc. Rises 3.5%: Should You Buy it?

Description

On Tuesday, **Enbridge Inc.'s** ([TSX:ENB](#))([NYSE:ENB](#)) shares rose 3.5% as the company's team inspects its facilities and pipelines in the Fort McMurray region where wildfires broke out earlier this month.

The Athabasca and Cheecham terminal facilities have been mostly unaffected by the fires. Enbridge's priority has always been the safety of the people and the community. So, Enbridge closed its Cheecham facility as of Tuesday.

Any disruption of operations in the Fort McMurray region should be temporary and will have little effect on Enbridge's profitability.

Why Enbridge popped 3.5%

The *real* reason behind Tuesday's 3.5% pop was more likely due to Enbridge's announcement regarding its acquisition of renewable energy assets in France.

Specifically, Enbridge plans to acquire a 50% interest (an investment of \$282 million) in a French offshore wind development company. The company will be co-owned by a company in France, a subsidiary of **Électricité de France S.A.**, which is dedicated to renewable energy.

Together, Enbridge and the French company plan to develop three large-scale offshore wind farms off the coast of France that will produce a combined 1,428 MW of power.

What the projects entail

Enbridge could potentially invest up to \$4.5 billion in the three wind projects from 2017 to 2022. Once they fully operate, they are expected to generate attractive returns and accretion to the company's cash flows.

Currently, Enbridge has interests in 24 renewable energy facilities with a net capacity of almost 2,000 MW. During the last 10 years, Enbridge has invested almost \$5 billion in renewable power generation

and transmission.

Renewable energy is a big trend. So, investing in renewables will help solidify Enbridge's growth going forward. The fact that Enbridge is partnering with Électricité de France S.A. is huge because the French electric utility was founded 70 years ago and is largely owned by the French government.

Valuation and dividend

At under \$52, Enbridge trades at about 23 times its earnings and 9.7 times its cash flows. Based on its earnings multiple, the company is at full value, but based on its cash flows multiple, Enbridge is in a fair-value range.

Enbridge yields 4.1%, which is at the high end of its dividend yield range in the last decade. Enbridge pays a strong dividend and has been increasing it for 20 consecutive years. It last hiked it by a whopping rate of 14%!

Conclusion

Enbridge is a quality energy infrastructure company with 65 years of safe and reliable operation. It is reasonably valued and attractively yields 4.1%.

It plans to grow its dividend by 8-10% through 2019. So, an investment in Enbridge today has an appealing approximate return of 12-14%.

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2. Energy Stocks
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