



## Enbridge Inc.: Time to Buy?

### Description

**Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) has pulled back in recent weeks, and investors are wondering if this is a good time to start a position in the stock.

Let's take a look at the pipeline giant to see if it deserves to be in your portfolio.

### Earnings

Enbridge reported Q2 2016 adjusted earnings before interest and taxes (EBIT) of \$1.09 billion, which was up \$40 million from the same period last year. Available cash flow from operations (ACFFO) rose \$60 million to \$868 million compared with Q2 2015.

The increases are attributed to stronger contributions from the company's liquids pipelines operations.

Volume and throughput on the mainline system hit record levels in the first quarter of 2016, despite the ongoing challenges facing the broader energy sector.

The wildfires in Alberta, however, impacted second-quarter results as lower oil sands production reduced Q2 deliveries by 255,000 barrels per day (bpd) in May and June. This translates into a 10% drop in throughput compared with the previous quarter.

Adjusted earnings for Q2 came in at \$0.50 per share—down from \$0.60 per share last year as a result of the fires.

Enbridge maintained its full-year guidance when it released the Q2 numbers. Adjusted EBIT is targeted at \$4.4-4.8 billion and ACFFO of \$3.80-4.50 per share.

### Growth

Some investors are concerned the slowdown in the energy sector will hit demand for new infrastructure. This is likely in the near term, but Enbridge has \$26 billion in secured capital projects already on the go and continues to add tuck-in strategic acquisitions.

As the new assets go into service, revenue and cash flow should increase enough to support annual dividend growth of at least 10% in the next three years.

If the oil rout drags on, Enbridge has the size to grow through acquisitions. The company recently filed a mix-shelf offering of up to \$7 billion, so management might be preparing for a large move.

The company's Northern Gateway project received more bad news at the end of June as the Federal Court of Appeal overturned the federal government's previous conditional approval of the pipeline. Investors should consider Northern Gateway as a bonus when evaluating the stock.

## **Dividend**

Enbridge has a strong track record of dividend growth. In fact, the company has raised the payout by an average 14% per year over the past decade. The current distribution yields 4.1%.

## **Should you buy?**

Less than 5% of earnings are impacted by changes in commodity prices, and 95% of cash flow is secured by long-term agreements with large, stable companies. This means investors should feel comfortable with the cash flow guidance and expected rate of dividend increases.

As the energy sector recovers, Enbridge should rise with the pack. In the meantime, you get reliable dividend growth on top of an already attractive yield.

If you want a stock you can simply buy and forget about for a decade, Enbridge looks attractive today.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

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2. TSX:ENB (Enbridge Inc.)

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