



## Is Enbridge Inc. Planning Something Big?

### Description

Last week **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) filed a mixed-shelf offering of up to \$7 billion with the SEC. Doing so will allow the pipeline giant to issue debt and equity over the next 25 months. The company did not have any specific projects linked to this offering. Does it have deals in the pipeline, or does it already have enough to keep it busy for a while?

#### A growing pipeline

Enbridge currently has a pipeline full of projects in development.

Its current capital backlog totals a whopping \$26 billion through 2019. That said, the company anticipates funding the bulk of that backlog with cash on hand, expected future excess cash flow, and dividend-reinvestment programs. As a result, the company only had roughly \$5.1 billion in remaining funding requirements. Of that amount, it estimated that it needed to issue \$800 million of equity and \$4.3 billion of incremental debt.

In addition to that capital backlog, the company recently made two decent sized acquisitions that it needs to fund.

Earlier this month it won an auction to [acquire](#) a 49.9% stake in the Hohe See offshore wind farm in Germany. Because of that, the company will be on the hook to pay for roughly half of that project's estimated \$2.24 billion price tag.

In addition, Enbridge's MLP **Enbridge Energy Partners, L.P.** (NYSE:EEP) announced an agreement to form a joint venture to acquire a stake in the Bakken Pipeline System. That stake will cost Enbridge Energy Partners \$1.5 billion.

However, the MLP entered into a bridge financing agreement with its parent company to fund that initial investment at closing. Further, Enbridge is pursuing a longer-term financial agreement with its MLP to ensure it has the capital it needs to fund this project while allowing the parent company to participate in its upside.

## Are there more acquisitions in the pipeline?

The long-term funding gap and recent acquisitions could be the target of the \$7 billion in capital Enbridge plans to offer. Further, the company needs to refinance about \$9.4 billion in maturing debt through 2017.

Clearly, the company can put this capital to good use. That said, it has several years to raise capital to fund the remaining requirements of its capex plan. Because of this, it would appear that this filing simply gives it the flexibility to pounce should a compelling opportunity arise.

That seemed to be the mindset of CEO Al Monaco on the company's second-quarter conference call. After running through the transactions announced since its Enbridge Day, Monaco said that the company's name seems to be brought up a lot in the media as a potential buyer for almost any infrastructure asset on the market.

In most cases, the company's interest is "certainly news to us that we were interested in them." That said, when it comes to deals the company is willing to pursue, he noted the following:

We have a very strong base plan that's organically driven, so the bar is set high for new investments, as it always is. So we don't feel compelled to rush or stretch to make acquisitions unless they meet these criteria. However, when they do, we won't hesitate to go after them. We are closely monitoring the opportunities out there, but at this point, we don't see anything compelling enough, right now, anyway.

In other words, there does not appear to be any big deal in the pipeline. Instead, the company's \$7 billion offering is more about increasing its financial flexibility, so it can go after transactions that meet its objectives. Enbridge can be patient because it already has robust growth plans. The company's current forecast is that available cash flow from operations will grow by 12-14% through 2019 with dividends per share growing by 10-12% over that same time frame.

## Investor takeaway

While Enbridge does not need cash right now, it wants to have access to capital should opportunities arise in the future. That financial flexibility will not only ensure it has the funds it needs to complete its current project backlog, but to capture new opportunities as they arise.

## CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:ENB (Enbridge Inc.)
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**Date**

2025/08/17

**Date Created**

2016/08/31

**Author**

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