



## Is Enbridge Inc. a Bargain Dividend Stock Today?

### Description

**Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is expected to merge with **Spectra Energy Corp.** ([NYSE:SE](#)) and become the largest energy infrastructure company in North America. It will have an enterprise value of about \$165 billion.

### The combined company

The combined company will have an infrastructure asset base, which covers key supply basins and demand markets in North America.

The larger scale, increased diversity, and improved financial flexibility will boost Enbridge's financial strength and propel the company to the next level.

Specifically, the combined company's portfolio will consist of 55,200 km of gas pipelines, 415 billion cubic feet (Bcf) of natural gas storage, 28,166 km of liquids pipelines, 11.4 Bcf per day of natural gas processing capacity, 3.5 million retail gas customers, and 2,200 MW of net renewable energy generation.

Additionally, there will be synergy opportunities primarily from general operations and admin cost savings. Annual synergies of \$540 million are expected to be realized by the end of 2018.

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The merger will be a stock-for-stock transaction, such that about 57% of the combined company will be owned by Enbridge shareholders and about 43% will be owned by Spectra Energy shareholders after the close.

### Dividend and its growth

Enbridge has been returning cash to shareholders in the form of a growing dividend for 21 consecutive years. In the last two decades, it has increased its dividend at a compound annual growth rate of 10.6%, and it doesn't look like it will be slowing down.

The combined company will have \$74 billion of current and potential projects. Management expects these to help deliver dividend growth of 10-12% through 2024, including a dividend hike that's expected after the close.

This hike will boost the dividend to an annual payout of about \$2.43 per share and translate to a generous forward yield.

### **Is Enbridge a bargain dividend investment today?**

Investors are in luck. Enbridge shares have pulled back nearly to the level before the huge rise from the announcement of the merger in early September 2016.

As a result, with the expected dividend hike after the close, the shares offer a juicy forward yield of nearly 4.5% at \$54.20 per share.

It's uncommon for Enbridge to yield north of 4.3%. With the shares offering a yield of 4.3% today and having a forward yield of 4.5%, Enbridge shares are attractive as an income investment.

If Enbridge continues on its growth path (which looks promising) and maintains its current multiple (which looks fairly valued), buyers today can expect long-term annualized returns of roughly 12-14%, barring the occurrence of a market crash.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SE (Sea Limited)
3. TSX:ENB (Enbridge Inc.)

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