Enbridge Inc.: Should Income Investors Buy the Dip?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) slipped more than 4% after announcing Q3 2017 earnings that came in below expectations.

Let's take a look at the pipeline giant to see if the pullback is an opportunity to buy the stock.

Weak quarter

Enbridge reported adjusted earnings of $632 million, or $0.39 per share for Q3 2017. Available cash flow from operations (ACFFO) was $1.334 billion, or $0.82 per share.

Analysts expected adjusted earnings to be about $0.04 higher, and that is why the stock took a hit.

Enbridge said reduced volumes on its natural gas lines are responsible for the lower-than-expected earnings. However, the company confirmed its 2017 ACFFO guidance of $3.60-3.90 per share, citing new assets coming online that should result in strong Q4 2017 results.

Line 3 replacement program

Enbridge is waiting on approvals in Minnesota to begin work on the U.S. leg of its Line 3 replacement project. When completed, the pipeline's capacity will double to 760,000 barrels per day.

All required permitting is in place in Canada, North Dakota, and Wisconsin, where construction is already underway.

Management expects the project to be completed and in service in the second half of 2019.

Dividend outlook

Enbridge has about $31 billion in secured growth projects underway. As the new assets are completed and go into service, Enbridge has previously said it expects cash flow to increase enough to support annual dividend growth of at least 10% per year through 2024.

In the Q3 2017 earnings release, the company didn't reiterate the statement, which might be why investors dumped the stock.

Should you buy the dip?

Enbridge is North America's largest energy infrastructure company with gas pipeline, oil pipeline, and utility assets located across Canada and throughout the United States.

The current quarterly dividend of $0.61 per share provides a yield of 5%, so investors are already picking up a solid return. Dividend growth should continue in the coming years, even if it doesn't hit the top end of the guidance.

If you have an income-focused investing style, it might be worthwhile to add Enbridge to your portfolio while the stock is out of favour.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/17
Date Created
2017/11/02
Author
aswalker