Why Enbridge Inc. Dropped 5% Last Week

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB), North America's largest owner and operator of energy infrastructure, watched its stock drop 5% last week thanks to a 5.2% drop starting on Thursday following the release of its third-quarter earnings results that morning. The stock now sits about 20% below its 52-week high of $58.56 reached back in November 2016, so let's break down the quarterly results and the fundamentals of the stock to determine if we should consider using this weakness as a long-term buying opportunity.

The results that failed to impress the market

Here's a breakdown of 10 of the most notable financial statistics from Enbridge's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Commodity sales	$5,012 million	$6,106 million	(17.9%)
Gas distribution sales	$573 million	$272 million	110.7%
Transportation and other servicesrevenues	$3,642 million	$2,110 million	72.6%
Total revenues	$9,227 million	$8,488 million	8.7%
Adjusted earnings before interest andincome taxes	$1,738 million	$1,001 million	73.6%
Adjusted earnings	$632 million	$437 million	44.6%
Adjusted earnings per common share(EPS)	$0.39	$0.47	(17.0%)
Available cash flow from operations(ACFFO)	$1,334 million	$852 million	56.6%
ACFFO per share	$0.82	$0.92	(10.9%)
Diluted weighted-average commonshares outstanding (millions)	1,642	922	78.1%

Should you be a long-term buyer today?

It was a solid quarter overall for Enbridge, given the low commodity price environment, especially when you consider that the company's per-share results were heavily impacted by its issuance of approximately 75 million common shares in 2016 and 691 million common shares in connection with its stock-for-stock merger transaction with Spectra Energy that closed in February. However, its third-quarter EPS came up just short of analysts' expectations, which called for $0.43, so I think that's why the stock took a hit on Thursday and Friday.

With all of this being said, I think the recent weakness in Enbridge's stock represents a great entry point for long-term investors for two fundamental reasons.

First, it's undervalued. Enbridge's stock now trades at 23.1 times fiscal 2017's estimated EPS of $2.03 and 18.2 times fiscal 2018's estimated EPS of $2.57, both of which are inexpensive given the low-risk nature of its business model and its estimated 8.5% long-term earnings-growth rate.

Second, it's a dividend aristocrat. Enbridge currently pays a quarterly dividend of $0.61 per share, equating to $2.44 per share on an annualized basis, which gives it a whopping 5.2% yield. Foolish investors must also note that its recent dividend hikes have it on track for 2017 to mark the 22nd consecutive year in which it has raised its annual dividend payment and that it has a dividend-growth target of 10-12% annually through 2024, making it one of my favourite dividend stocks in the energy sector today.

Enbridge is down nearly 10% since I last recommended it on July 26, but I am sticking to my guns and am re-recommending it today, so take a closer look and strongly consider making it a long-term core holding.

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