Enbridge Inc. Stock Now Yields 5%: Should You Buy?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) stock tumbled 5% during the week ended on October 30, after the company announced slightly disappointing third-quarter earnings.

Investors were not happy with a decline in the company's natural gas pipeline volumes during the quarter, which averaged 1.53 million cubic feet per day in Canada, down 1%, and a 2.4% drop in the U.S., where it moved 1.64 mmcf per day, according to the company's press release.

Earnings attributable to shareholders was $765 million, or $0.47 per share, compared with a loss of $103 million, or $0.11 per share, a year earlier.

Adjusted to remove items, Enbridge earned $0.39 per share, missing consensus by $0.04 a share, according to **Thomson Reuters** data.

Buying opportunity?

Last week's slide in the value of shares has extended Enbridge's 17% losses for 2017 as investors shunned this top utility company on various concerns, including the Bank of Canada's drive to hike interest rates, political uncertainty hitting North American markets, and a generally dismal outlook for energy companies.

But despite these losses, Enbridge's strength in the sector remains intact. It operates the world's longest crude oil and liquids transportation system, which insulates it from the cyclical nature of the commodity markets.

The company is a leader in gathering, transportation, processing, and storage of natural gas in North America, serving about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and New York State.

Despite a falling gas output in the third quarter, the numbers show Enbridge was benefiting from its last year deal to acquire Spectra Energy's assets, which created North America's largest energy infrastructure company.

The company moved 2.5 million bpd of crude oil on its mainline system across Canada and the U.S. during the quarter, up 6% year over year.

Enbridge's liquid volumes are likely to surge further in the coming quarters, as the company awaits a regulatory from Minnesota for its Line 3 replacement project, which will double capacity on the line to 760,000 barrels per day.

The bottom line

There is no doubt Enbridge did not meet investors' expectations in the third quarter, but I think this setback is temporary, and any further pullback provides a good entry for long-term dividend investors.

The company's annual dividend yield has reached 5% at the time of writing — more than double what investors were getting in 2011. If you are seeking a stable dividend stock that regularly hikes its payout, then Enbridge is your best bet.

The company plans to grow its $2.44-a-share yearly dividend by 10-12% each year through 2024, as it produces more cash from some big-ticket infrastructure projects following its acquisition of Spectra Energy.

Enbridge's valuation has become attractive after 17% drop in its share price this year. I think it is a good bargain for long-term investors.

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hanwar