



Enbridge Inc. Will Increase its Dividend by 10%

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) stock has been [battered down](#). Since the start of the year, the stock has declined ~18%. Most recently, there have been concerns about how it was going to fund its capital program and if its dividend-growth plan was in jeopardy.

On Wednesday, the company announced the completion of its strategic plan, along with its dividend-growth plan.

The strategic plan

Enbridge has a remaining capital program of \$22 billion through 2020. It also aims to reduce its debt by \$4 billion. The goal is to reach a debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of five by the end of 2018 and roughly 4.5 by 2020.

About half of the required funds will come from Enbridge's internally generated cash flow. The North American energy infrastructure leader has also identified \$10 billion of non-core assets, of which it plans to sell \$3 billion by the end of 2018.



It's natural that Enbridge would have non-core assets to sell after making a transformative merger with

Spectra Energy. Enbridge plans to focus on its regulated pipeline and utility business, which is low risk and will grow over time. The segments include its liquids pipelines and terminals, natural gas transmission and storage, and natural gas utilities.

The bad news is that Enbridge also announced an equity offering. In a private placement, it'll be selling common shares at \$44.84 per share for gross proceeds of \$1.5 billion. This is expected to occur on or around December 6. It also pushed out \$0.5 billion worth of **Enbridge Income Fund Holdings** shares as a part of the plan.

These will cause a bit of dilution in the near term. I'm not necessarily against equity offerings, but I don't like the fact that Enbridge is doing so when the shares have gone down so much.

Dividend growth

Enbridge has paid a dividend for more than six decades and has increased its dividend for 21 consecutive years. The good news is that it will be extending its dividend-growth streak. The company will be increasing its dividend by 10% next year and aims to grow its dividend at an average rate of 10% through 2020.

Investor takeaway

In the near term, Enbridge shares will probably stay at about \$44.84 per share. However, it also depends on what the market thinks of its strategic plan and dividend growth.

Enbridge offers a ~5.3% yield today, and it aims to increase its dividend by 10% per year through 2020. Long term, conservative investors should see the depressed shares as an attractive entry point for a quality stock with [strong income potential](#).

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