



Why Enbridge Inc. Popped +6% on Thursday

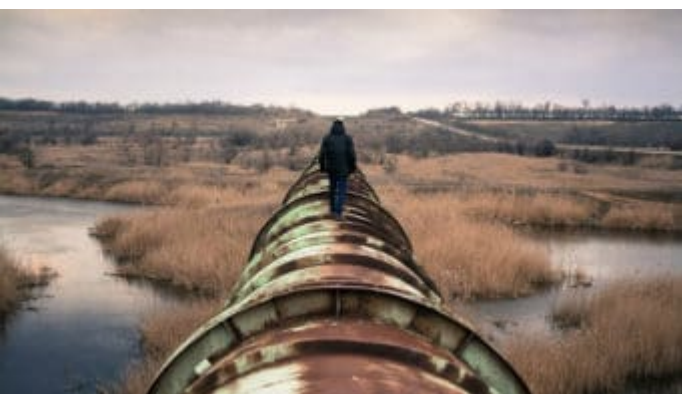
Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) appreciated ~6.3% on Thursday. This is a pretty big move for the dividend-growth star.

Came up with a strategic plan

What moved the stock was likely the announcement of Enbridge's [strategic plan](#), which explained how the leading North American energy infrastructure company was going to fund its projects and dividends. The plan also included increasing its dividend by 10% on average per year through 2020.

Enbridge has a remaining capital program of \$22 billion through 2020. It also intends to cut down its debt by \$4 billion. Enbridge estimates that roughly half of the needed funds will be covered by its internally generated cash flow. It has also identified \$10 billion of non-core assets — \$3 billion of which it plans to sell by the end of next year.



Confirmed 10% dividend hike

Enbridge will also get gross proceeds of \$1.5 billion from an equity offering. It will be selling the common shares at \$44.84 per share to private investors on or about December 6. I thought the news of dilution might weigh the stock down, but instead, the stock rallied on Thursday.

I suppose Enbridge's confirmation to grow its dividend by 10% per year is a big confidence booster. Moreover, the general public can't get their hands on the shares from the equity offering.

Retail investors can only buy the shares from the market. Where else can you find a ~5% yield growing 10% per year for the next few years?

Shares were too cheap

The shares were too cheap to ignore. In mid-November, when Enbridge hit ~\$44 per share, the stock yielded ~5.5%. It's pretty rare for the stock to reach a yield of 5.5%. So, that's when I bought some more shares. Since then, the stock has appreciated ~10%.

It's true that [the Spectra Energy merger led to dilution](#), but as Enbridge digests the acquisition, its profitability should improve. And that's when we could see the stock trading above \$60 per share again.

Analysts also agree that Enbridge should trade higher. The Street consensus from **Thomson Reuters** has a 12-month price target of \$59.90 per share on the stock. In the meantime, though, the stock is meeting some resistance, and it needs to trade above \$50 per share before it can move higher.

Investor takeaway

The strategic plan and dividend-growth plan boosted market confidence, and investors bid up Enbridge's shares. Despite the pop from Thursday, Enbridge still offers good income and decent price appreciation potential. It offers a ~5% yield, and it could appreciate 23% in the next 12 months from the Thursday market close price.

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