



How Far Will Enbridge Inc. Stock Go After a 12% Rally in Just 1 Month?

Description

Enbridge Inc.'s ([TSX:ENB](#))([NYSE:ENB](#)) stock is rebounding after a long bearish spell.

Trading at \$43.99 a share at the time of writing, Enbridge stock has surged ~12% in the past month alone. Investors are wondering if this rebound is the beginning of a bullish trend or just a temporary upsurge?

Enbridge shares have faced a [sustained selling pressure](#) this year on concerns that the company doesn't have enough cash to pursue its \$26-billion growth projects.

That spending is important for Enbridge after it combined its operations with **Spectra Energy's** assets as part of a \$37 billion deal that was designed to produce more cash for investors.

Investors who are bearish on Enbridge's future prospects doubt that the company will be able to undertake this massive growth plan without either cutting its dividend or taking on more debt.

Funding plan

Amid these concerns, the company's management has come up with a solid funding plan to move forward. On December 12, Enbridge's chief executive officer Al Monaco told investors and analysts in New York that the company's future is bright and explained his new funding plan.

As part of the plan, Enbridge plans to raise \$3 billion through asset sales and \$2.6 billion by selling preferred shares in one of its subsidiaries.

"Bottom line is that the plan allows us to effectively fund our secured program while strengthening the balance sheet," Monaco was quoted as saying during the conference.

Besides raising fresh capital, Enbridge is also moving to cut its hefty debt load by \$4 billion in the coming years. This move will help Enbridge maintain its high credit rating – a precondition to secure better credit terms. DBRS Ltd. estimates Enbridge's debt is as high as \$63 billion.

Dividend growth

Long-term income investors rely on stocks, such as Enbridge, for the dividend income. The company's funding difficulties were raising questions regarding its dividend growth plans and clouding its shares outlook.

But the management during recent weeks has tried to reassured jittery investors that it [doesn't plan to cut its payout](#). The company has reaffirmed its plans to increase its dividend by 10% each year through 2020.

Despite the 12% jump in its share value during the past month, Enbridge stock is still down ~14% so far this year. For long-term income investors, I believe Enbridge still offers good value, especially with a juicy ~5% dividend yield. I see more upside potential going forward as the company raises capital and takes steps to cut its debt.

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

2025/07/05

Date Created

2017/12/15

Author

hanwar

default watermark