# Is it Finally Time to Buy Enbridge Inc.?

## Description

**Enbridge Inc.** (TSX:ENB)(NYSE:ENB), North America's largest owner and operator of energy infrastructure, released its fiscal 2017 fourth-quarter and full-year earnings results before the market opened on Friday, and its stock responded by falling 0.65% in the day's trading session. The stock now sits more than 25% below its 52-week high of $57.75 reached back in April 2017, so let's break down the results and the fundamentals of its stock to determine if now is finally the time to buy.



### A year to remember

Here's a breakdown of five of the most notable statistics from Enbridge's three-month period ended December 31, 2017, compared with the same period in 2016:

| Metric | Q4 2017 | Q4 2016 | Change |
|---|---|---|---|
| Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) | $2,963 million | $1,762 million | 68.2% |
| Adjusted earnings | $1,013 million | $522 million | 94.1% |
| Adjusted earnings per common share (EPS) | $0.61 | $0.56 | 8.9% |
| Distributable cash flow | $1,741 million | $879 million | 98.1% |
| Cash provided by operating activities | $1,341 million | $1,058 million | 26.7% |

And here's a breakdown of five notable statistics from Enbridge's 12-month period ended December 31, 2017, compared with the same period in 2016:

| Metric | Fiscal 2017 | Fiscal 2016 | Change |
|---|---|---|---|
| Adjusted EBITDA | $10,317 million | $6,902 million | 49.5% |
| Adjusted earnings | $2,982 million | $2,078 million | 43.5% |
| Adjusted EPS | $1.96 | $2.28 | (14.0%) |
| Distributable cash flow | $5,614 million | $3,713 million | 51.2% |

| | | | |
|---|---|---|---|
| Cash provided by operating activities | $6,584 million | $5,211 million | 26.3% |

**Is it time to buy?**

The fourth quarter was fantastic overall for Enbridge, and it capped off a transformational year for the company in which it completed its merger with Spectra Energy to create the largest energy infrastructure company in North America; that being said, I think its stock should have responded to the earnings release by moving higher, and I think it's a strong buy today for two fundamental reasons.

First, it's undervalued. Enbridge's stock currently trades at just 21.9 times fiscal 2017's adjusted EPS of $1.96 and only 18.7 times the consensus EPS estimate of $2.30 for fiscal 2018, both of which are inexpensive given the low-risk nature of its business model, which can be attributed to more than 95% of its cash flows being secured under long-term contracts or similar arrangements; furthermore, the stock trades at a mere 9.7-10.3 times its distributable-cash-flow guidance of $4.15-4.45 per share for fiscal 2018.

Second, it offers a high, safe, and growing dividend. Enbridge currently pays a quarterly dividend of $0.671 per share, equating to $2.684 per share annually, which gives it a juicy 6.25% yield. It's also important to note that the infrastructure giant's 10% dividend hike in November has it on track for 2018 to mark the 23rd straight year in which it has raised its annual dividend payment, and that it has a dividend-growth program in place that calls for annual growth of 10% through 2020, all of which makes it one of my favourite dividend stocks in the market today.



With all of the information provided above in mind, I think all Foolish investors should strongly consider making Enbridge a long-term core holding.

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