# Enbridge Inc.: Is the Stock Price Attractive Today?

## Description

**Enbridge Inc.** (TSX:ENB)(NYSE:ENB) has taken a beating over the past year amid the broad pullback in the energy infrastructure sector.



Let's take a look at the current situation to see if the company deserves to be on your radar right now.

### Earnings

Enbridge reported solid numbers for 2017. Adjusted earnings came in at $2.98 billion compared to $2.08 billion in 2016. Distributable cash flow for the year rose to $5.6 billion from $3.7 billion in 2016.

Adjusted earnings growth was primarily due to the effect of higher revenue contributions from the company's new natural gas, liquids, and utility assets.

### Growth

Enbridge closed its $37 billion acquisition of Spectra Energy last year in a deal that created North America's largest energy infrastructure company. Spectra added strategic gas assets to complement Enbridge's large liquids operations and provided a nice boost to the development portfolio.

Enbridge brought $12 billion of commercially secured projects into service in 2017 and is working through an additional $22 billion in near-term developments that should be completed by the end of 2020. In 2018 alone, Enbridge expects to complete the US$1.3 billion NEXUS gas pipeline and the US$1.5 billion Valley Crossing pipeline, among others.

Beyond 2020, the company says it sees opportunity for new low-risk growth in the company's core footprint.

### Strategy shift

Enbridge announced plans in late 2017 to focus on its regulated pipeline and utility businesses. As a result, management identified $10 billion in non-core assets that could be sold over the next three years, with $3 billion potentially going on the block in 2018.

The company is determined to deleverage the balance sheet, with a plan to get the debt-to-EBITDA metric down to five times by the end of 2018 and remain below that level over the long term. The company has already made progress on this front.

**Dividends**

Enbridge has a strong track record of dividend growth, and that trend looks set to continue. The company raised the payout by 15% in 2017 and increased it by an additional 10% this year. Going forward, management expects revenue and cash flow growth from new assets to support annual dividend hikes of at least 10% through 2020.

Approval of any of the company's longer-term developments could lead to an upward revision of the dividend-growth guidance.

At the time of writing, the stock provides a yield of 6.4%.

**Should you buy?**

Rising interest rates will push up borrowing costs, and that could hit cash flow available for distributions. In addition, the long-term growth outlook is somewhat uncertain in the current environment of strong opposition to large pipeline projects.



That said, the pullback in Enbridge's stock price from $56 a year ago to the current level of $42 appears overdone.

If you have a buy-and-hold strategy and are looking for a solid dividend stock to add to your portfolio, it might be worthwhile to add Enbridge to your holdings while the stock remains out of favour.

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