Enbridge Inc. Stock: Why Is This Top Dividend Stock Rebounding?

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) stock has been in hot water for more than a year now. Investors deserted this energy infrastructure giant on concerns that it wouldn't be able to maintain its high dividend amid rising debt.

Its stock was down over 30% during the past 12 months, weakened by surging bond yields and uncertainty about its future dividend plans. But that perception is changing after a couple of positive developments.

Asset-sale plan

The biggest challenge for the Enbridge's CEO Al Monaco was to show to investors that North America's largest pipeline operator was on track to cut its $61 billion debt load. On that front, the company made considerable progress during the past quarter.

The Calgary-based Enbridge announced last week that it has finalized a pair of deals that generated combined proceeds of roughly $3.2 billion. Enbridge said it is selling a 49% stake in wind and solar energy assets in North America and Germany for $1.75 billion to the Canada Pension Plan Investment Board.

In a separate deal, the company said an affiliate of Boston-based private equity firm ArcLight Capital Partners LLC would buy its Midcoast Operating LP unit and related subsidiaries for about $1.44 billion. The sale includes natural gas gathering and processing assets in Texas, Oklahoma, and Louisiana.

According to media reports, more deals may be coming soon. Future asset sales may include a group of Canadian gathering and processing assets that could fetch more than $1.56 billion. The assets, located in British Columbia and Alberta, were owned by Spectra Energy, which Enbridge acquired for $28 billion last year.

These sales are part of Enbridge's longer-term plan in which the company has identified $7.76 billion in non-core assets that it plans to unload.

The positive news on the company's asset sales comes as Enbridge beat analysts' consensus forecast for its adjusted profit in its first-quarter earnings report.

On an adjusted basis, Enbridge says it earned $1.38 billion, or $0.82 per share, for the quarter compared to $657 million, or $0.57 per share, in the first quarter of 2017. Analysts had expected a profit of $0.66 per share, according to **Thomson Reuters**.

The company beat analysts' estimates, backed by a strong operational performance across all business segments, including record quarterly average throughput on the liquids mainline system.

"Our earnings and cash flows have grown significantly year over year; we've raised over $3 billion of hybrid securities and have now announced over $3 billion of asset sales, all consistent with our strategy to focus on a low-risk pipeline and utility business model and to accelerate funding of our secured capital program," Al Monaco said in the earnings statement.

The bottom line

Trading at $42.40, Enbridge is still down 13% this year. But the latest signs suggest its stock has probably hit the bottom after gaining about 13% from its lowest point this year. With an annual dividend yield of 6.35%, Enbridge is my top pick from the list of beaten-down energy stocks in North America. With the forward price-to-earnings multiple of 17 and 11% dividend growth, it's a good time to get exposure to this top dividend stock.

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