



Will Enbridge Inc. Stock Skyrocket After a Strong Q1?

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) is starting to show signs of life again as its stock got a boost from Q1 earnings. In its results released last week, the pipeline giant saw its revenues rise 14% from last year. However, earnings were down more than 46% year-over-year as impairment charges of over \$1 billion brought down the company's profits.

As a result of the otherwise strong quarter, however, the stock was up 6% last week as it finally got up to over \$43 a share. It could finally be what the stock needs to get going again, as it has been down 20% over the past 12 months. Even rising oil prices have not been able to help Enbridge, so this is a good indication that the stock might finally be rising from the abyss.

Let's take a deeper look at the stock to see whether it might be a good buy today in light of these results.

All operating costs up from last year

While Enbridge saw strong sales growth from a year ago, the problem is that expenses outpaced its top-line growth. It wasn't only impairment costs that brought the results down, but every major expense category saw an increase from last year as well. In total, operating expenses were up 21% from a year ago, although without the write-downs, the increase would be just 10%.

Enbridge did, however, see other costs rise, including net foreign currency losses, which increased \$180 million; interest expenses were also up \$170 million from last year.

Ultimately, as long as we don't see more asset write-downs in future quarters, then (based on the improving conditions in the oil and gas industry and Enbridge showing strong growth), investors can expect to see stronger profits than that of Q1. However, expenses shouldn't be ignored as, we see similar problems in [Q4](#), where rising operating costs hurt an otherwise strong quarter where revenues increased 28%.

Strong, steady progress expected to continue

In its earnings release, Enbridge stated that it was on track for the guidance set out for the company in 2018. However, if oil prices continue to rise, then investors will likely see even stronger results. The company also noted that synergies gained from the deal with Spectra Energy have begun to be realized, which could further accelerate Enbridge's growth.

Questions remain around Line 3 Replacement project

The big question mark for Enbridge is will happen with its Line 3 Replacement project, which may go through a different route from the company's preferred option; that is not practical for the pipeline company, and might impact the feasibility of the project. The company continues to try to justify its preferred solution, but there's no guarantee that it will obtain the necessary approval for it to go through as planned.

A bad result here could see the bears come back out in full force yet again.

Is the stock a buy today?

Enbridge is a [great dividend stock](#) to own, and it has been overdue for a recovery in price. Investors could see significant returns from owning the stock, especially now that it's on an upward trajectory.

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