



Enbridge Inc. (TSX:ENB) Stock Is Turning Around

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) stock has paid a dividend for more than 60 years and has paid an increasing dividend for more than 20 years. After Enbridge merged with Spectra Energy Corp. and became the largest energy infrastructure company in North America, some investors worried about Enbridge's debt levels. At the end of March, the company had about \$61.2 billion of long-term debt.

A more simplified corporate structure

In May, Enbridge proposed to combine its outstanding sponsored vehicle equity securities, including **Enbridge Energy Partners, L.P.** (NYSE:EEL), **Spectra Energy Partners, LP.** (NYSE:SEP), and **Enbridge Income Fund Holdings Inc.** (TSX:ENF), into one publicly-traded equity security. If this materializes, Enbridge's credit profile, cash flow quality, and the safety of its dividend should improve.

Minnesota Public Utilities Commission approved Line 3 replacement project

The Line 3 replacement project is a key investment for Enbridge. As noted in the first quarter results press release, "The \$9 billion ... project will enhance the safety and reliability of the Enbridge liquids Mainline System, provide incremental export capacity to Western Canadian producers, and increase security of supply for key refining markets along the Mainline system as well as to markets further downstream."

At the end of June, Minnesota Public Utilities Commission gave the green light for the project, which helped send Enbridge stock about 11% higher. Yet fellow Fool writer, Joey Frenette, thinks [Enbridge stock has more upside](#).



Asset sales

Yesterday, Enbridge announced that it was selling \$4.31 billion worth of Canadian natural gas gathering and processing assets, including 19 natural gas processing plants and liquids handling facilities, which have operating capacity of 3.3 billion cubic feet per day and 3,550 km of natural gas gathering pipelines.

This year, the management has announced to sell about \$7.5 billion of assets. Altogether, they help give more financial flexibility for the company, whether the proceeds will be used to pay down debt or grow the business.

Enbridge noted that it will keep its regulated natural gas transmission assets, which include the West Coast transmission system in British Columbia and the Alliance pipeline that carries natural gas from western Canada to the Chicago market. This is a more predictable business than the gas gathering and processing business that Enbridge is selling.

Investor takeaway

With the above developments, it seems the storm has passed for Enbridge stock, and so shareholders can breathe a sigh of relief. The stock has risen about 23% from a low of roughly \$38 per share in April to about \$47 per share at the time of writing. However, Enbridge stock is still reasonably valued and offers a fat 5.7% yield. Additionally, management aims to increase the dividend by about 10% per year through 2020. Therefore, Enbridge should [appeal to income-focused investors](#) looking for above-average growth.

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