



Enbridge Inc. (TSX:ENB) Stock: How Much More Upside?

Description

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) is regaining its lost ground fast. In the past two months, the shares of this largest pipeline operator in North America have gained 25%. Investors are wondering whether this momentum is strong enough to take this beaten-down stock back to its glory days?

On the fundamental side, it appears that management is taking all the right steps to turn this energy infrastructure conglomerate around and cut its hefty debt burden, which [scared many income investors](#) this year.

The latest catalyst that pushed the stock higher came on July 4, when Enbridge announced that it's selling its Canadian natural gas gathering and processing businesses to a group led by **Brookfield Asset Management Inc.** in a deal worth \$4.31 billion.

The transaction includes assets that collect gas from drillers in the Montney, Peace River Arch, Horn River and Liard basins in British Columbia and Alberta. The unit has a total operating capacity of 3.3 billion cubic feet of gas a day.

The transaction of this magnitude is a big step toward company's plan to reduce its over \$60 billion debt by selling some of its non-core assets. Investors cheered the news by sending Enbridge stock price higher. After this deal, Enbridge has sold assets worth \$7.5 billion so far this year.

These sales are part of Enbridge's restructuring plan announced late last year to calm down jittery investors who had doubts over the company's ability to maintain its dividends following its \$28 billion deal to buy Spectra Energy last year.

To restore investors' confidence, the company is focusing on its three core businesses of oil pipelines, gas pipelines and gas utilities. The sale "significantly advances our strategic priority of moving to a pure-play regulated pipeline and utility business model," Enbridge Chief Executive Officer Al Monaco said in the statement.

What's next?

Despite the recent rebound, Enbridge stock is still underperforming the benchmark **S&P/TSX Composite Index** by a big margin. For the long-term income investors, the main concern, however, is

about the company's dividend payouts and their future growth.

They want to see Enbridge maintain its excellent payout history while pursuing its turnaround strategy. The company pays \$0.67-a-share quarterly dividend. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 11.7%.

Going forward, Enbridge is expecting 10% growth in the annual dividend through 2020 as it undertakes \$22-billion development projects that on completion will fuel more growth in the company's cash flows.

With the company achieving its assets sale target and Minnesota regulators approving the replacement and expansion of its crucial Line 3 conduit, I see more gains are on the way for Enbridge investors.

As I wrote in [my earlier articles](#), Enbridge stock is an attractive dividend play for long-term investors who should take advantage of its 6% yield and future income growth. That opportunity is still there even after this upswing.

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Author

hanwar

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