



## Income Investors: Is it Time to Drop Enbridge Inc (TSX:ENB)?

### Description

In the past, I have argued that **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a [compelling buy](#) for income investors. The pipeline company offers a mix of strong earnings and cash flow growth as well as an excellent dividend yield. However, Enbridge has experienced some headwinds recently.

The company's shares fell by about 6% [after it was announced](#) that its Line 3 Pipeline Replacement Project would be completed later than anticipated. In the company's estimation, the multi-billion-dollar project will go into service in late 2020, about a year later than originally expected. But how much does this delay put a dent in Enbridge's overall quality?

### A closer look at Enbridge's Line 3 Replacement Project

Touted as the largest project in the company's history, the Line 3 Replacement Program will revamp and expand a current pipeline that spans from Alberta to Wisconsin and stretches more than 1,500 kilometres. The project will upgrade the pipeline using the most advanced pipeline technology, a much-needed renovation since the pipeline in question was deteriorating.

Once it is fully operational, the pipeline — which will serve millions of customers both in the U.S. and Canada — will have an annual average capacity of 760,000 barrels per day. The project is expected to help Enbridge grow its earnings and cash flows even more — something the company is known for. No wonder investors are a bit disappointed. Still, the renovation of the Line 3 pipeline will be completed eventually.

### More growth opportunities and a stronger balance sheet

Despite this setback, the Calgary-based company has various projects that will help spur earnings growth in 2020 and beyond. Chief among them is the Gray Oak pipeline project. Last December, Enbridge spent about \$600 million to acquire a 22.75% stake in the Gray Oak pipeline under construction in Texas. The pipeline — which, at peak capacity, will be able to move 900,000 barrels per day — should be completed by the end of this year.

In addition to several growth opportunities, Enbridge recently managed to strengthen its balance sheet. The company's debt level was getting uncomfortably high. However, Enbridge sold many of its assets to cut costs — a move that was received well by investors. Furthermore, Enbridge acquired all of its publicly traded subsidiaries, which now operate under the same umbrella — a simpler and more efficient business model that should yield positive results in the long run.

## The bottom line

While the delay of Enbridge's Line 3 Project isn't ideal, it should not hinder the company's dividend-growth plan. Enbridge expects to continue raising its payouts by about 10% annually. Dividends paid currently account for about 65% of cash flows — a conservative figure which shows that Enbridge's dividends have much room for growth. Don't let the frenzy fool you: Enbridge is still a compelling buy.

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