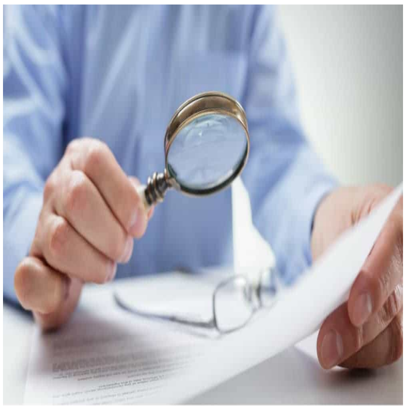

3 Key Numbers From Enbridge's (TSX:ENB) Q2 Results

Description

Enbridge (TSX:ENB)(NYSE:ENB) released its quarterly earnings report last week, which showed strong growth from the prior year.

Revenues of $13.3 million were up 23% from the prior year, while profits were even stronger, rising by 38%. At a high level, Enbridge definitely had a good quarter overall, but here are three numbers that stood out to me in the company's earnings release.

$2.5 billion in secured capital projects added this year

This is an important figure, not just for Enbridge, but for the oil and gas industry as a whole. The industry badly needs investment, and while this will help facilitate even more growth for Enbridge, it also suggests that other companies are putting money into oil and gas projects again.

If the Trans Mountain does indeed see construction begin and with OPEC extending production cuts, we could see some more bullishness return to the industry.

And that makes a stock like Enbridge, which has struggled through no fault of its own, an attractive investment opportunity.

$2 billion in EBITDA from liquids pipelines

More than half of Enbridge's EBITDA this quarter, $3.7 billion, was generated from its liquids pipelines segment. At about $2 billion, it was more than a 50% improvement from the prior year. However, the main reason for the change was due to unrealized derivative fair-value gains and losses, which this quarter added $227 million to EBITDA, while in the prior year there was a loss of $275 million, for a favourable swing of $502 million in Q2.

While energy services had a larger percentage increase, liquids pipelines were responsible for the biggest improvement to EBITDA during the quarter with $670 million being added to the bottom line, more than two-thirds of the total improvement of $997 million.

Although EBITDA in this segment was up, it wasn’t nearly as impressive as it looked to be at first glance, and investors shouldn’t expect a repeat of this, as fair-value gains can’t be relied on with any consistency.

24% increase in distributable cash flow

An important area for dividend investors is distributable cash flow (DCF), as it can help indicate the strength of the company’s dividend.

Adjusted EBITDA of $3.21 billion versus $3.17 billion was a very modest improvement for Enbridge this past quarter. The main reason that DCF was higher in Q2 was due to distributions to noncontrolling interests being $252 million higher in the prior year.

Lower interest and income tax expenses along with less spent on maintenance capital were some of the other areas where DCF was given a boost this quarter.

Bottom line

There wasn’t a whole lot of reaction from the markets on Friday, as Enbridge’s share price was down just $0.15. Over the past 12 months, the stock has declined by around 5%, as Enbridge has failed to generate much momentum and get investors excited about the stock.

However, with Enbridge stock trading the lowest that it has been since the start of the year, there may be no better time to buy than the present. Not only does the stock have a lot of potential upside from where it is today, but it also pays a great dividend as well.

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