



Why Enbridge's (ENB) Stock Price Rose 3.2% in December

Description

In December, **Enbridge's** ([TSX:ENB](#))([NYSE:ENB](#)) stock price rose 3.2%. It doesn't seem like much, but if we add that to its annual dividend yield of 6.26% and to the fact that with Enbridge, we get safety of principle, I think that a capital gain of +3.2% in one month is great.

What's going on with Enbridge? Well, December was a big month. Enbridge held its annual investor day, which brought with it many positive updates. It seems clear that the pipeline companies have been benefitting from a slowly improving environment for the energy and energy infrastructure sector.

Enbridge delivers a 10% dividend increase

While this increase was widely expected, the fact that Enbridge [continues to deliver on its plans and on expectations](#) remains a key reason why Enbridge stock price continues its steady rise. With this dividend raise, Enbridge is now providing investors with a very generous dividend yield of 6.26%.

The last four years have seen [particularly strong dividend increases](#), with a 33% raise in 2015, a 14% raise in 2016, a 15% raise in 2017, and a 10% raise in 2018, and with dividend growth of 10% expected through to 2020 and 5-7% thereafter, we can see that we can rely on visible growth going forward with this name.

So, we can see why Enbridge stock continues to be a top choice for investors that are looking for income.

Making slow progress

Enbridge's \$9 billion Line 3 replacement project, which runs from Alberta to Wisconsin and will restore Line 3's capacity to 760,000 barrels per day (adding 375,000 bpd) is the largest project in Enbridge's history. It will have the newest and most advanced pipeline technology and will help transport more oil out of Alberta into the U.S., significantly easing the infrastructure issues in Canada.

Construction on the Canadian portion of Line 3 is complete, but the U.S. portion is still facing regulatory setbacks. The latest setback was a recent decision by the Minnesota court, which ruled that Enbridge's environmental impact statement was inadequate. The company continues to file regulatory documents in the hopes of getting this project approved as soon as possible, but the 2020 approval seems increasingly unlikely.

Beyond this major project, Enbridge has other small- to medium-sized, low-risk projects in the works, such as expansions, extensions, and system modernization initiatives. Management has reaffirmed its self-funded model that is focused on not issuing equity.

Foolish bottom line

Enbridge completed 2019 on a positive note, and Enbridge's stock price has followed suit. After a difficult few years, the stock seems ready to continue its upward climb, with rising dividends, a low-risk earnings profile, and a solid balance sheet supporting this rise. The approval of the Line 3 expansion in the U.S. appears likely to happen soon, and when it does, the stock will react very favourably, as Enbridge remains undervalued today.

In closing, I would like to remind Foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth. By blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

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