3 Enbridge Earnings Quotes to Know

Description

Enbridge (TSX:ENB)(NYSE:ENB) reported a drop in second-quarter 2020 net income to $1.65 billion on Wednesday. Revenue for the quarter fell by 40% in response to the crude oil price crash.
The COVID-19 pandemic caused a free fall in oil demand in March, sparking a historic OPEC price war for a time.

Enbridge announced revenue of less than $8 billion, which is a steep decline from the $13.3 billion a year earlier.

The oil and gas company earned $0.82 per share in the last quarter, $0.04 less than a year earlier. The company reported an adjusted profit of $1.13 billion, or $0.56 per share. The firm earned $1.35 billion, or $0.67 per share, during the same quarter in 2019.

Unlike many publicly traded companies these days, Enbridge did not change its cash flow guidance for 2020. The firm expects demand for oil to recover as Canada and the United States lift travel and border restrictions in North America.

Here are three quotes you should know about the effect of COVID-19 on Enbridge earnings.

Sold assets contribute to lower Enbridge earnings

Enbridge sold a Canadian natural gas gathering and processing business in December 2019. The lost revenue from this business lowered overall earnings for Enbridge during the second quarter.

> “These positive business factors were partially offset by lower earnings from Liquids Pipelines due to lower Mainline throughput related to COVID-19 and the absence of contributions from the federally regulated Canadian natural gas gathering and processing business sold on December 31, 2019.”

Further, the COVID-19 pandemic resulted in lower Mainline throughput, leading to lower earnings from

Enbridge's Liquids Pipelines.

Lower maintenance capital boosts distributable cash flow

Distributable cash flow (DCF) increased for Enbridge in the second quarter. Part of this increase isn't permanent, as some maintenance capital spending is merely delayed due to the health crisis.

> "DCF for the second quarter was $2,437 million, an increase of $127 million over the second quarter of 2019 driven largely by the net impact of the operating factors noted above as well as lower maintenance capital due to timing of spend in light of COVID-19."

Also boosting the DCF, capitalized interest decreased in the second quarter. Moreover, Enbridge is earning an interim surcharge while the U.S. segment of Line 3 is built.

Refined product demand recovering faster than expected

Enbridge initially expected mainline volumes to decline by 400-600 thousand barrels per day (kbpd) during the second quarter from an average expected annual throughput of 2.84 million barrels per day (mbpd). In reality, Mainline throughput was only 0.40 million barrels per day less than the average:

> "Actual Mainline throughput for the quarter was 2.44 mbpd, which reflects a slightly faster pace of recovery in demand for refined products and higher refinery utilizations, particularly in the U.S. Midwest."

Because the actual market demand was higher than expected, Enbridge is more optimistic about the timeline for recovery in the oil and gas market.

Foolish takeaway on Enbridge stock

Enbridge is a diversified oil and gas business with projects in renewable energy. This gives the firm a leg up in the market and sets the company up for success in the future. If you buy energy companies for your retirement portfolio, those investments should have an eye on the future of the industry, which is green energy.

Enbridge should also be increasing its dividend. Enbridge has a five-year dividend-growth rate of 16%. Dividend stocks are a great way to earn income from your investments.

The downside? Energy companies experience volatility depending on the political environment. No investment comes without risk. Thus, if you buy Enbridge, ensure you can weather the hard times with the company or you may end up taking a loss later.

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