Enbridge (TSX:ENB) Stock: Should You Buy Right Now?

Description

Enbridge (TSX:ENB)(NYSE:ENB) is one of Canada's largest companies with a market capitalization of $99 billion. The share price is off the recent highs, and investors who missed the rally this year are wondering if ENB stock is now undervalued and a good buy.

Enbridge earnings

Enbridge delivered solid results for Q3 2021. The company generated adjusted earnings of $1.2 billion in the quarter, representing a 20% increase over the same period last year. Adjusted EBITDA was $3.3 billion, or 10% higher than Q3 2020 and distributable cash flow (DCF), which is important for dividend investors, increased to $2.3 billion, or $1.13 per share, versus $2.1 billion, or $1.03 per share, in the same three months in the previous year.

Enbridge also reaffirmed its full-year guidance for EBITDA and DCF. Overall, it was a good quarter for the company, and the Q4 results should be decent as well.

Growth

Enbridge recently spent US$3 billion to buy an oil export platform in Texas along with associated pipeline and infrastructure. The deal also included a 20% stake in the Cactus II pipeline that moves 670,000 barrels of oil per day.

Enbridge is on track to put $10 billion of capital projects into service in 2021 and has an additional $7 billion lined up for 2022 and beyond. Enbridge's gas transmission and renewable energy groups will likely drive organic growth in the next few years.

Enbridge is scheduled to outline its investment priorities for the next three years at its annual investor day on December 7.

Given its size, Enbridge could continue to drive growth through acquisitions. The energy infrastructure sector is expected to consolidate in the next few years. Existing pipeline assets are becoming more valuable in an era where it's difficult to get large new projects approved and built.

Regulatory setback

Enbridge's stock price is down along with the broader energy sector in recent days, but the share price also took a hit after Enbridge lost its bid to shift transportation contracting on its Mainline pipeline system to long-term agreements. The regulator decided the proposal would put some oil producers at a disadvantage. It's a disappointment for Enbridge, but the company says the decision is not likely to have a material impact on its business.

Dividends

Enbridge raised its dividend by 3% for 2021, despite the challenging times for its oil pipeline business last year. The company is expected to raise the payout for 2022, and investors should get the news at the shareholder meeting next week.

An increase of 4-5% could be on the way given the recent completion of the Line 3 Replacement project, the $7 billion in capital projects, and the extra revenue from the recent oil export platform acquisition.

Investors who buy the stock at the current share price near $48 per share can already pick up a solid 7% dividend yield.

Should you buy Enbridge stock now?

Enbridge looks cheap at the current share price and provides an above-average yield that should be safe. If you have some cash to put to work in a TFSA or RRSP focused on dividends, this stock deserves to be on your radar right now.

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