Oil Price Watch: Buy or Sell Enbridge (TSX:ENB) Stock?

Description

Industry experts expect oil prices to spike this week after the Organization of Petroleum Exporting Countries (OPEC) meets with Russia on August 3rd. Some sources say increasing production is on the table, but the chances of a significant boost in supply are slim.

OPEC+ will likely maintain the previously agreed upon production quotas, despite U.S. President Joe Biden's visit to convince Saudi Arabia to open the taps. Meanwhile, the **TSX**'s strong finish last week was due to the rebound in oil prices and strong cash flows of energy companies in Q2 2022.

The energy sector gained 2.9%, increasing its year-to-date gain to 45.47%, while 74% of TSX stocks advanced. **Canadian Natural Resources** had the most percentage gain (+2.38%), but **Enbridge** (TSX:ENB)(NYSE:ENB) was among the top three heavily traded stocks.

Given Enbridge's stability (+20.07% year-to-date) amid market turbulence, should investors accumulate more shares instead of selling? Management said it's on track to achieve full year targets following strong operational performance and good financial results in Q2 2022.

Diversified secured growth program

In the three months ending June 30, 2022, adjusted earnings and distributable cash flow (DCF) increased slightly versus Q2 2021. Cash provided by operating activities was unchanged year-over-year at $2.5 billion. The good news is that the diversified secured capital program provides visible earnings before interest, taxes, depreciation, and amortization (EBITDA) growth in the years ahead.

Al Monaco, Enbridge's President and CEO, said, "We're executing on our $10 billion diversified secured growth program with almost $4 billion on track to enter service in 2022. And, we've added over $3.6 billion of new projects to our secured backlog."

Apart from the expansion of the B.C. Pipeline System and extension of the Texas Eastern Transmission, Enbridge invested in the Woodfibre LNG facility. The LNG (liquefied natural gas) facility fits well with the pipeline-utility commercial model and should generate attractive returns.

For 2022, the total newly sanctioned growth projects are worth $4.5 billion. According to management, these commercially secured investments demonstrate the value of its continental natural gas transmission system's connectivity and cost competitiveness.

In good shape

Monaco adds that Enbridge is in good shape, particularly with regards to achieving its three-year, 5% to 7% DCF per share compound annual growth rate (CAGR) target from 2021 through 2024. Because of the strong balance sheet, the $116.53 billion energy infrastructure company expects to exit 2022 at the low end of its leverage range.

Management will continue to be disciplined regarding capital allocation by optimally deploying growing free cash flow. The company has initiated share buybacks and will return capital to shareholders via steadily growing dividends. Note that Enbridge has raised its dividends for 26 consecutive years.

If you invest today, the blue-chip stock trades at $57.51 per share and pays a generous 5.98% dividend. In 46.6 years, the total return is 57,416.79% (14.61% CAGR).

Designed to be resilient

Vern Yu, CFO of Enbridge, said the low-risk business model was designed to be resilient through all market cycles. He adds that the business is built on serving demand-pull markets with strong long-term contracts. Moreover, the contracts provide commercial protections against rising inflation and financial flexibility.

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