Enbridge (TSX:ENB) Announces $3.6 Billion in New Projects

Description

The stock market has been pretty rough this year since falling below 20,000 points on May 9, 2022. Market analysts attribute the bear market behaviour to supply chain disruptions, tight oil market, and aggressive interest rate hikes by central banks.

Canada's primary stock market would be losing by more than 7.32% year to date if not for the red-hot energy sector. As of August 8, 2022, only four of TSX's 11 primary sectors are in positive territory. Energy stocks are ahead by a mile with a collective gain of 33.76%. Utilities (+4.14%), consumer staples (+3.93%), and industrials (1.41%) round up the top four sectors.

For investors desiring exposure to the energy sector, **Enbridge** (TSX:ENB)(NYSE:ENB) remains the solid choice. This $112.98 billion energy infrastructure company has the financial strength to overcome market uncertainties or economic downturns. The recently announced $3.6 billion in new secured projects assure more business growth and stability in 2022 and beyond.

Year-to-date performance

Al Monaco, president and chief executive officer of Enbridge, said, "Through the first half of 2022, we've made excellent progress advancing our strategic priorities and we believe our strategy will generate long-term value and an attractive return of capital to shareholders." It should also support growing global demand for secure and affordable energy needed to bridge to a cleaner energy future.

For the first half of 2022, Enbridge reported adjusted earnings of $3.05 billion. But despite the 7% year-over-year drop, management expects cash flow this year to be 9% higher than in 2021. Its chief financial officer Vern Yu said the business is built on serving demand pull markets with strong long-term contracts.

Yu added that because almost 80% of EBITDA (earnings before interest, taxes, depreciation, and amortization) has built-in toll escalators, the contracts of Enbridge have commercial protections for rising inflation. Moreover, the fixed rate of the debt portfolio limits the impact of higher interest rates.

On the stock market, current investors enjoy a 16.50% year-to-date gain in addition to the 6.21% dividend. The 3% dividend hike this year extended Enbridge’s dividend-growth streak to 27 years. Note that the total return of this top-tier energy stock in 46.63 years is an impressive 55,706.59%. You won’t regret purchasing this blue-chip stock at the current share price of $55.80.

Sustainable cash flow growth

According to Yu, the company is reaping the benefits of the enormous $14 billion capital investment in 2021. He added, “We’ve added over $3.6 billion of new projects to our secured backlog, including an expansion of our B.C. Pipeline System, an extension of Texas Eastern and an investment in the Woodfibre LNG facility.”

Thus, for this year alone, the total newly sanctioned growth projects amount to $4.5 billion. Yu emphasizes that all the projects have the same low-risk model and will generate attractive returns. Management expects the secured capital program to drive a highly visible 5-7% distributable cash flow through 2024.

Low-risk commercial framework

Enbridge projects 1-2% annual growth its solid base in 2021 and contractual revenue escalators and productivity enhancements. Because all cash flows are under a low-risk commercial framework, management estimates an additional 4-6% for the secured capital program.

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Date
2025/08/18
Date Created
2022/08/10
Author
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