5 Things to Know About Enbridge Stock

Description

Enbridge (TSX:ENB) is down from the 2022 high it hit in June. The pullback has Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors wondering if this is a good time to buy the energy infrastructure giant for a portfolio focused on passive income or total returns.

Operations

Enbridge is a giant in the North American energy infrastructure industry with a market capitalization of $104 billion. The company's largest operations focus on the transport of oil. Enbridge moves 30% of the oil produced in Canada and the United States across its vast network of pipelines that serve as economically strategic assets for the two countries. The days of building large new oil pipelines are likely over due to strong public opposition to the projects. This has forced Enbridge to pivot to new segments to drive growth. Enbridge purchased an oil export terminal and related pipeline infrastructure in Texas last year for US$3 billion.

On the natural gas side, Enbridge has transmission pipelines, storage, and natural gas distribution utilities. Natural gas demand remains strong in both the domestic and international markets. Enbridge's natural gas utilities provide millions of Canadian homes and businesses with the essential fuel. The pipeline network moves 20% of the natural gas used in the United States.

Global utilities that use natural gas to producer power are searching for reliable sources of liquified natural gas (LNG). Many are turning to Canada and the United States to secure their supplies. Enbridge is building new natural gas lines in the U.S. to connect producers to LNG facilities. In Canada, Enbridge is taking a 30% ownership stake in the $5.1 billion Woodfibre LNG project in British Columbia.

Enbridge is also expanding its renewable energy assets and getting into the carbon capture and hydrogen segments that offer long-term growth opportunities.

Earnings

Enbridge generated solid results through the first half of 2022. Adjusted earnings came in at $1.51 per share compared to $1.48 in the same period last year. More importantly, distributable cash flow rose to $5.8 billion from $5.3 billion.

Management confirmed financial guidance for 2022 with distributable cash flow per share expected to be $5.20 to $5.50 for the year.

Dividends

Enbridge raised its dividend in each of the past 27 years. The board increased the payout by 3% for both 2021 and 2022. Investors should see distribution growth continue in the 3-5% range over the medium term. At the time of writing, Enbridge stock provides a 6.7% yield.

Share buybacks

Enbridge is using excess cash to buy back stock. Under the current 12-month repurchase plan, Enbridge intends to use as much as $1.5 billion for the program. the company repurchased about three million shares from January 5 through the end of June of this year.

Stock price

Enbridge trades near $51 per share at the time of writing. The stocks was above $59 at the 2022 high. Weakness in the oil market triggered the pullback, but the drop appears overdone. Changing oil prices have limited direct impact on Enbridge's revenue stream. The company isn't an oil producer; it simply collects fees for transporting or storing energy products.

The bottom line on Enbridge stock

Enbridge should be an attractive stock to buy right now for TFSA investors seeking high-yield passive income and for RRSP, buy-and-hold investors who build wealth by using dividends to acquire new shares. If you have some cash to put to work, this stock looks undervalued today and deserves to be on your radar.

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