



Enbridge Inc. (ENB)

Updated March 2nd, 2025 by Jonathan Weber

Key Metrics

| | | | | | |
|-----------------------------|------|--|------|----------------------------------|-----------------------|
| Current Price: | \$43 | 5 Year CAGR Estimate: | 8.6% | Market Cap: | \$93B |
| Fair Value Price: | \$43 | 5 Year Growth Estimate: | 3.0% | Ex-Dividend Date: | 04/15/25 ¹ |
| % Fair Value: | 99% | 5 Year Valuation Multiple Estimate: | 0.2% | Dividend Payment Date: | 04/25/25 ² |
| Dividend Yield: | 6.1% | 5 Year Price Target | \$50 | Years Of Dividend Growth: | 30 |
| Dividend Risk Score: | B | Retirement Suitability Score: | A | Rating: | Hold |

Overview & Current Events

Enbridge is an oil & gas company that operates the following segments: Liquids Pipelines, Gas Distributions, Energy Services, Gas Transmission & Midstream, and Green Power & Transmission. Enbridge bought Spectra Energy for \$28 billion in 2016 and has become one of the largest midstream companies in North America. Enbridge was founded in 1949 and is headquartered in Calgary, Canada. All figures in this report are in U.S. Dollars unless noted otherwise.

Enbridge reported its fourth quarter earnings results on February 14. The company generated revenues of CAD\$16.2 billion during the period, which was up by 36% compared to the previous year's quarter, and which pencils out to US\$11.2 billion. During fiscal 2024, Enbridge managed to grow its adjusted EBITDA by 13% year over year, to CAD\$18.6 billion, up from CAD\$16.5 billion during the previous year's quarter.

During fiscal 2024, Enbridge was able to generate distributable cash flows of CAD\$12.0 billion, which equates to US\$8.3 billion, or US\$3.84 on a per-share basis. While distributable cash flows in 2024 were down in US Dollars, that was due to currency rate movements – results were higher in Canadian Dollars. The same holds true for Enbridge's dividend, which was increased by 3% in Canadian Dollars, to CAD\$0.9424 at the beginning of the current year. Enbridge is forecasting distributable cash flows in a range of CAD\$5.50 - CAD\$5.90 per share for the current year. Using current exchange rates, this equates to USD\$3.95 at the midpoint of the guidance range, which would be up 3% versus 2024.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| DCFPS | \$3.54 | \$3.56 | \$3.03 | \$3.16 | \$3.43 | \$3.68 | \$3.91 | \$3.96 | \$3.91 | \$3.84 | \$3.95 | \$4.58 |
| DPS | \$1.55 | \$1.77 | \$2.01 | \$2.10 | \$2.20 | \$2.55 | \$2.63 | \$2.68 | \$2.62 | \$2.57 | \$2.61 | \$3.18 |
| Shares³ | 847 | 943 | 1695 | 1810 | 2010 | 2020 | 2020 | 2030 | 2130 | 2160 | 2180 | 2200 |

Enbridge operates an asset-heavy business, causing the company to record a high amount of depreciation expenses. Since this is a non-cash item, its cash flows are usually much higher than its net earnings, and since cash flows are what Enbridge requires to make growth investments and dividend payments, it makes sense to focus on those.

Enbridge produced relatively consistent distributable cash flow growth over the last decade, although not at a high rate. Takeovers such as the one of Spectra Energy have caused Enbridge's share count to rise over the years, which is why distributable cash flow-per-share declined in some years even though company-wide distributable cash flow kept climbing. Enbridge put billions worth of projects into service over the last couple of years, and more growth projects are under construction, which includes new energy assets such as wind farms as well as hydrocarbon assets such as pipelines. According to management, growth will persist going forward, as Enbridge targets long-term cash flow per share growth of 5%-7%. Our estimate is lower than that range, based on Enbridge's past track record, and due to the fact that dilution remains somewhat of a headwind for the company's per-share growth rate as long as Enbridge continues to issue shares for takeovers.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| P/CF | 13.2 | 12.3 | 14.5 | 9.8 | 11.7 | 8.7 | 10.0 | 9.8 | 9.2 | 10.9 | 10.9 | 11.0 |
| Avg. Yld. | 3.3% | 4.0% | 4.6% | 7.2% | 5.5% | 8.0% | 6.7% | 6.9% | 7.3% | 6.2% | 6.1% | 6.3% |

Enbridge has been valued at a low-double-digit price-to-cash flow multiple throughout the majority of the last decade. Shares currently trade at almost 11x this year's forecasted distributable cash flows, according to management's guidance, which is in line with our fair value estimate. We thus believe that Enbridge is fairly valued today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Payout | 43.8% | 49.7% | 66.3% | 66.5% | 64.1% | 69.3% | 67.3% | 67.7% | 67.0% | 68.0% | 66.1% | 69.3% |

Enbridge paid out less than 50% of its cash flows through 2016, but starting in 2017, its payout ratio rose to roughly two thirds of the cash flows that it generates. The company has guided for meaningful dividend growth throughout the next couple of years, but dividend growth will likely be lower compared to what we have seen over the last decade.

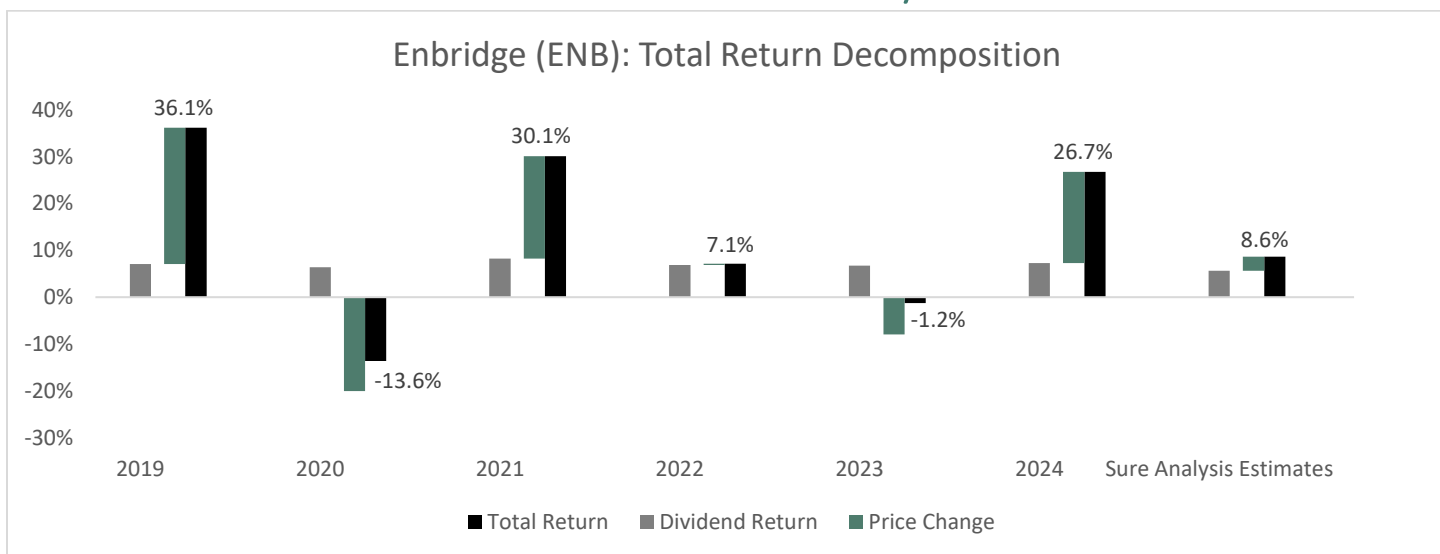
Enbridge's cash generation is not very cyclical, thus the dividend seems safe.

Enbridge is one of the largest pipeline operators in North America. Its vast asset footprint serves as a tremendous competitive advantage, as it would take tens of billions of dollars of investments from new market entrants if they wanted to be able to replace Enbridge's assets. Competitive risks, therefore, are low. Due to its fee-based nature Enbridge's business is not very cyclical, and commodity prices are mostly a pass-through item that impacts both revenues and costs, they are thus mostly neutral to profits and cash flows. During the Great Recession, the company was able to grow its cash flows and earnings further. Since the infrastructure that Enbridge provides is needed whether the economy is doing well or not, recessions are not a major threat for Enbridge.

Final Thoughts & Recommendation

Enbridge is a leading midstream player in North America, and management touts a solid growth outlook over the coming years. Enbridge delivered record distributable cash flow generation in Canadian Dollars in 2024, but currency rates were a headwind for US-based investors. Despite these currency headwinds, the yield is attractive, at more than 6%. The total return outlook is very solid but not excellent, we thus rate Enbridge a hold today.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|---------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 26,478 | 26,097 | 34,242 | 35,788 | 37,725 | 29,173 | 37,545 | 40,975 | 32,326 | 39,008 |
| Gross Profit | 5,115 | 6,279 | 9,705 | 10,596 | 11,810 | 10,976 | 11,579 | 12,608 | 13,086 | 14,054 |
| Gross Margin | 19.3% | 24.1% | 28.3% | 29.6% | 31.3% | 37.6% | 30.8% | 30.8% | 40.5% | 36.0% |
| D&A Exp. | 1,586 | 1,691 | 2,441 | 2,505 | 2,555 | 2,770 | 3,072 | 3,318 | 3,416 | 3,769 |
| Operating Profit | 1,879 | 2,988 | 4,735 | 5,355 | 6,542 | 5,939 | 6,225 | 6,290 | 6,717 | 7,178 |
| Op. Margin | 7.1% | 11.4% | 13.8% | 15.0% | 17.3% | 20.4% | 16.6% | 15.4% | 20.8% | 18.4% |
| Net Profit | 197 | 1,562 | 2,206 | 2,224 | 4,298 | 2,510 | 4,936 | 2,308 | 4,585 | 3,969 |
| Net Margin | 0.7% | 6.0% | 6.4% | 6.2% | 11.4% | 8.6% | 13.1% | 5.6% | 14.2% | 10.2% |
| Free Cash Flow | (2,196) | (38) | (1,866) | 2,435 | 2,792 | 3,106 | 928 | 4,926 | 6,906 | 4,136 |
| Income Tax | 133 | 107 | (2,081) | 183 | 1,287 | 578 | 1,129 | 1,233 | 1,349 | 1,217 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Assets (\$B) | 60.90 | 63.20 | 128.90 | 122.54 | 124.90 | 125.69 | 132.44 | 132.34 | 135.92 | 152.57 |
| Cash & Equivalents | 731 | 1,108 | 382 | 380 | 496 | 354 | 224 | 634 | 4,448 | 1,256 |
| Acc. Receivable | 806 | 2,863 | 4,274 | 3,506 | 3,992 | 3,131 | 3,956 | 4,138 | 3,324 | 4,822 |
| Inventories | 801 | 915 | 1,215 | 983 | 994 | 1,205 | 1,310 | 1,662 | 1,115 | 1,037 |
| Goodwill & Int. | 1,029 | 1,225 | 29,999 | 27,041 | 27,043 | 27,266 | 28,849 | 26,863 | 26,673 | 28,698 |
| Total Liabilities (\$B) | 46.35 | 46.91 | 76.63 | 68.63 | 71.77 | 75.22 | 82.74 | 85.62 | 87.32 | 104.57 |
| Accounts Payable | 404 | 2,758 | 4,084 | 3,380 | 3,472 | 2,742 | 3,506 | 4,548 | 3,247 | 4,919 |
| Long-Term Debt | 30.51 | 30.37 | 51.83 | 47.44 | 49.73 | 52.46 | 59.32 | 59.67 | 61.21 | 70.84 |
| Total Equity | 8,923 | 10,481 | 40,070 | 45,317 | 44,628 | 42,050 | 41,630 | 39,102 | 41,185 | 41,167 |
| LTD/E Ratio | 2.24 | 1.91 | 1.12 | 0.93 | 0.98 | 1.09 | 1.24 | 1.35 | 1.32 | 1.54 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 2.2% | 0.3% | 2.5% | 2.3% | 1.8% | 3.5% | 2.0% | 3.8% | 1.7% | 3.4% |
| Return on Equity | 7.8% | 1.3% | 10.1% | 6.4% | 4.2% | 8.0% | 4.8% | 9.9% | 4.8% | 9.6% |
| ROIC | 2.9% | 0.4% | 3.4% | 2.9% | 2.2% | 4.2% | 2.4% | 4.7% | 2.1% | 4.2% |
| Shares Out. | 829 | 847 | 943 | 1695 | 1810 | 2010 | 2020 | 2020 | 2030 | 2130 |
| Revenue/Share | 40.59 | 31.26 | 28.43 | 22.35 | 20.72 | 18.68 | 14.43 | 18.54 | 20.19 | 15.71 |
| FCF/Share | (8.83) | (2.59) | (0.04) | (1.22) | 1.41 | 1.38 | 1.54 | 0.46 | 2.43 | 3.36 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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