Enbridge (ENB)

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3/15/23

Current Price:	$36.25
Target Price:	$45.00 (hold until higher IRR opportunity)
Upside:	20% IRR

I. World's oldest midstream oil & gas company
II. Multi-decade track record of growth in dividend payments
III. Robust margin expansion
IV. Industry leading debt position–growth
V. Highly favorable market tailwinds

Order Type:	Market
Allocation:	159 shares (~$6,000)

PHIG President

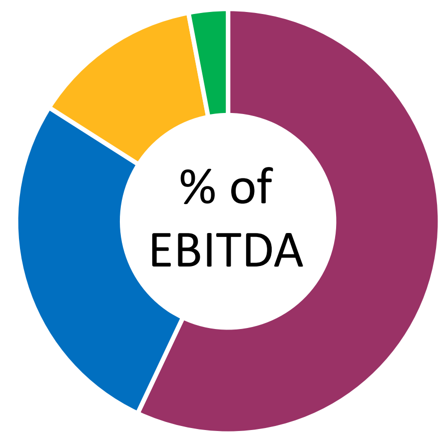
PHIG Director

VP of Finance

Company Overview

Key Highlights

- **Enbridge:** the oldest midstream oil & gas firm in North America.
- **Core Businesses:** ENB's operations center around liquids (oil) pipelines, gas transmission & midstream, and renewable power generation (wind). The company's pipeline network spans 94,000+ miles across the North American continent.
- **Strategy:** Operational competency → Ensuring safe and reliable operations and cost-efficient transportation solutions for customers.
- **Risk:** BBB+ Credit rating *(Moody's, S&P Global Ratings, DBRS, FitchRatings)*
- **Customer Base:** Mostly contracted natural gas and oil distributors.



Timeline

1949 IPL obtains charter from the Canadian government

1950 Pipeline completed and first oil arrives in Superior, WA

1963 IPL is North America's largest Crude Oil carrier

1998 IPL changes its name to Enbridge

1999 ENB connects Alberta's oil sands to mainline system

2001 ENB goes public

2002 ENB enters the wind energy market

2005 Enbridge acquires Shell Gas Transmission

2012 ENB enters the Solar energy market

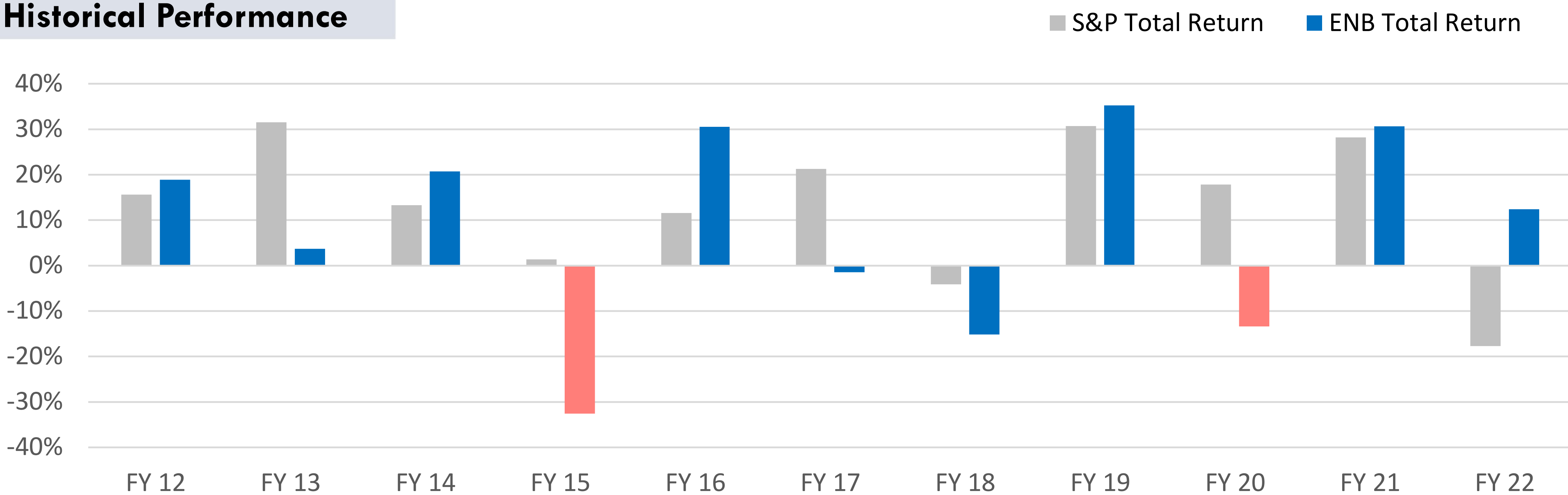
2017 ENB acquires Spectra Energy and becomes the largest North American energy infrastructure company

2023 President Al Monaca retires. Greg Ebel set to take his spot.

Sources: Enbridge

Financial Overview

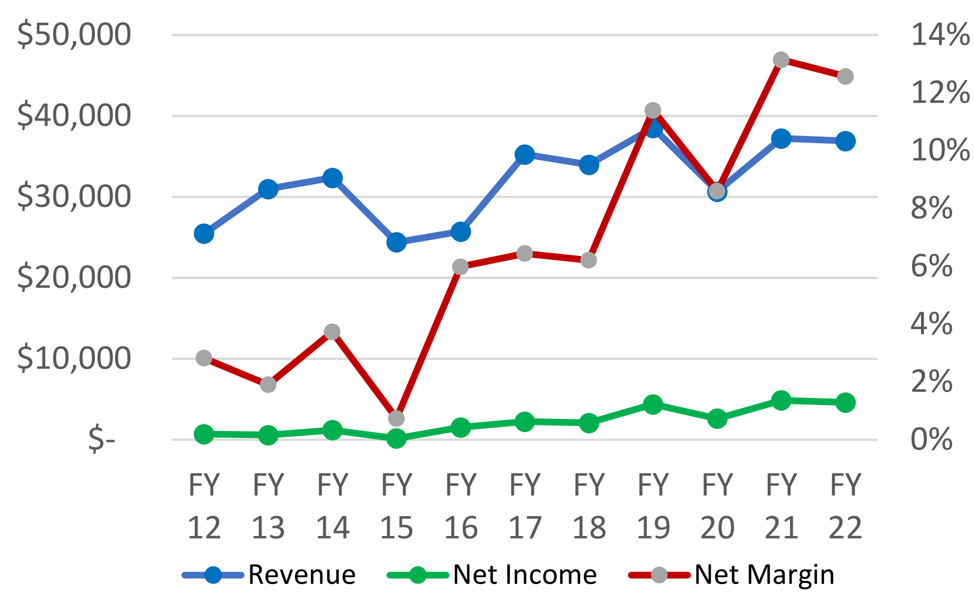
Historical Performance



Note: Dividend Payouts Included

Revenue and Profit

$ millions



Summary

- ENB outperforms the S&P 500 6 out of 11 years.
- 2015 saw oil prices fall from over $100 per barrel to $40 causing energy investors to scatter. *(See appendix)*
- 2020 – massive disruption in the energy sector as private and public sectors decreased production.
- Net margin increased 10% over the last decade.
- ENB's 98% mix of cost-of-service contracts is a robust hedge that protects the company's margin.
- Note that historical performance is YOY and *does not* include dividend reinvestment.

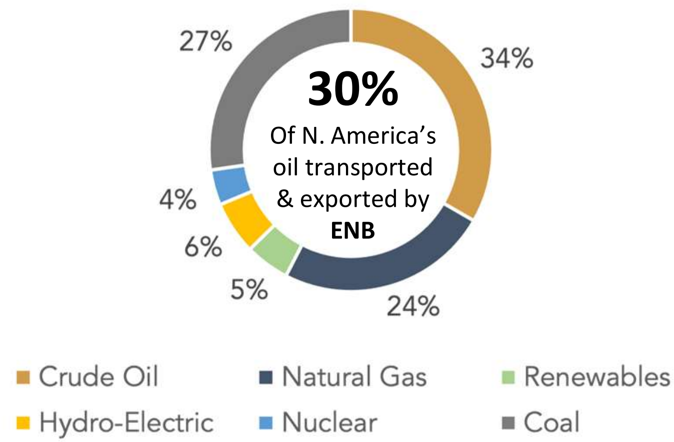
Sources: Dividend.com, Macrotrends, S&P Global, Roic.ai, Enbridge 10-K filing (2/3/23), Motley Fool

Industry Overview

Industry Overview

- Enbridge projects 10.55% LNG export growth *(industry wide)* per year until 2040. ENB maintains a 30% market share of export volume (for the continental US).
- While clean energy has captured investor interest in recent years, there remains no viable alternative to fossil fuels.
- Natural gas will become the primary form of renewable energy as the economy transitions away from coal and searches for reliable forms of clean energy.
- Commodity prices are highly volatile and have a significant influence on midstream companies' revenue.

Global Energy Consumption



Porter's Five Forces

Competitive Rivalry	New Entrants	Power of Suppliers	Power of Buyers	Substitutes
Moderate	**Low**	**High**	**Moderate/Low**	**Low**
▪ Most midstream companies are regionally concentrated around ports and major continental basins. ▪ Enbridge's existing network gives it an advantage over smaller potential rivals.	▪ Large financial barriers to entry result in nearly no new entrants. ▪ Established midstream companies operate like monopolies. ▪ Enbridge is the oldest midstream oil & gas company.	▪ Land-owners have significant power over midstream companies that must run pipeline through private land. ▪ Significant government regulation.	▪ Cost-of-service contracts allow Enbridge to charge buyers the cost of delivery plus a desired margin. ▪ General sensitivity to commodity price fluctuations and market responses.	▪ Existing energy infrastructure is almost impossible to reproduce because of the expense and necessary time. ▪ Natural gas will be accepted as the primary form of green energy.

Sources: IEA, Nasdaq, McKinsey, Enbridge

Sustainable Competitive Advantage

Generic Business Unit Strategy

- ☐ **Product Leadership** — Leapfrog of New Products: Innovation
- ☐ **Product Differentiation** — Unique Features, Product, and/or Service
- ☐ **Operational Excellence** — Unmatched Focus; Quality, Price & Ease
- ☑ **Operational Competency** — Std Product, Good Quality, Capable Delivery
- ☐ **Customer Intimacy** — 1:1 Bonding; Specific Customer Needs
- ☐ **Customer Responsive** — Loyalty thru Broad Marketing/Service Focus

Advantage - Strategic Dimensions & Distinctives *(Economic Moat)*

- Enbridge's position as the oldest existing midstream oil and gas firm in North America gives it the advantage of an enormous existing asset base that new entrants cannot compete with.
- ENB's early entrance has given it an outsized advantage among much newer competitors who have less access to capital and must compete with ENB's established continental network.
    - Share of wallet increases when there is oil exploration in an un-serviced region.
    - Switching costs are extremely high given the huge investment of building branching pipeline routes.
- Pricing Power: Enbridge maintains strong control over its margin by employing cost-of-service contracts. These contracts charge customers the cost of delivery plus a margin that can be either fixed or variable depending on the customer and their needs.
- Protection from Market Volatility: Enbridge's cost-of-service contract model insulates the company's margins from commodity volatility. Enbridge has also begun to expand its portfolio of renewable energy investments. The firm currently owns and operates electricity generating wind fields projected to contribute 3% of the company's EBITDA in 2023. These alternative energy investments effectively diversify Enbridge's revenue stream.
- Customer Diversity: Enbridge enjoys the benefits of not providing a niche service, but multiple broad services. The company offers energy delivery to residential, small commercial & industrial, and large commercial & industrial clients. Enbridge also contracts with major energy hubs and firms to transport liquids and gas across the continent for down-stream firms.

Sources: Enbridge 10-K, Nasdaq

Investment Summary

Investment Thesis

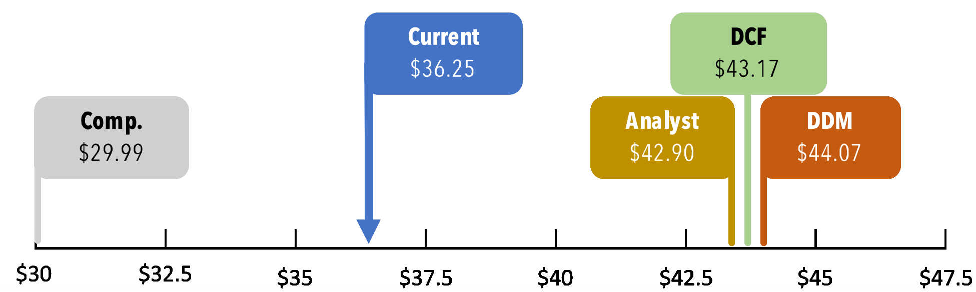
We recommend Enbridge (ENB) as a **strong buy**.

- ENB is **undervalued** significantly according, to discounted cash flow analysis, discounted dividend analysis, and analyst research.
- ENB pays a reliable and growing dividend (6-7% yield) which if reinvested compounds to produce a very attractive IRR (**20% IRR** *estimated* at $6,000 investment).
- ENB maintains an industry leading debt position (4.8x long-term debt to EBITDA) and $18B secured funding for its capital pipeline through 2028.
- ENB enjoys a powerful advantage over its competitors given its age, experience, and capital base (94,000+ miles of pipeline).

Historical Valuation

Target Prices

- We recommend holding this position indefinitely until the identification of a higher IRR investment opportunity.
- Relative valuation is low due to intense multiple contraction Q1 2023 among ENB and its comps.



Sources: Yahoo Finance

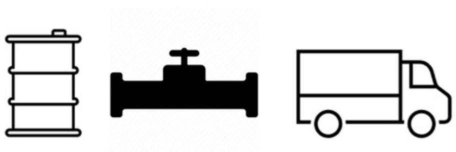
Appendix: Enbridge (ENB)

Company Overview *(Con't)*

ENBRIDGE

What is Midstream?

- Midstream is the link between oil production and refining or sale.
- Steps in value chain:
  - Gathering
  - Storage
  - Shipment



Well Head
Gathering Tanks
Offsite Storage
Blending Facility
Storage Hub
Refinery
Gas Station

Price Structure

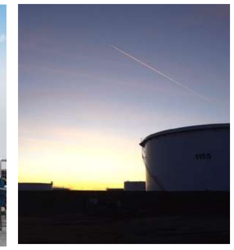
- Cost of Service | Cost of delivery + margin
- Assets:

Gas Transmission

30% North America Oil transported & exported

Gas Distribution

20% NG consumed in the U.S.A



Liquids Pipeline

~2 Tcf of natural gas stored and delivered

Renewable Power

Powering ~900,000 homes

Corporate Structure

C-Corp

- Company pays tax at the corporate level.
- Investors also pay tax on their dividend.
- Typically have a higher upside.

Master Limited Partnership

- Company does not pay income tax at the corporate level.
- Legal obligated to distribute at least 90% of taxable earning. Investors pay a personal income tax on their earnings.

Recessionary forces make dividend investing particularly attractive
- David Bahnsen

Yield | 7.25%
(3/15/23, TTM)

Stability | 28 years of dividend increases

Sources: NASDAQ, Investopedia, Enbridge, the Bahnsen Group

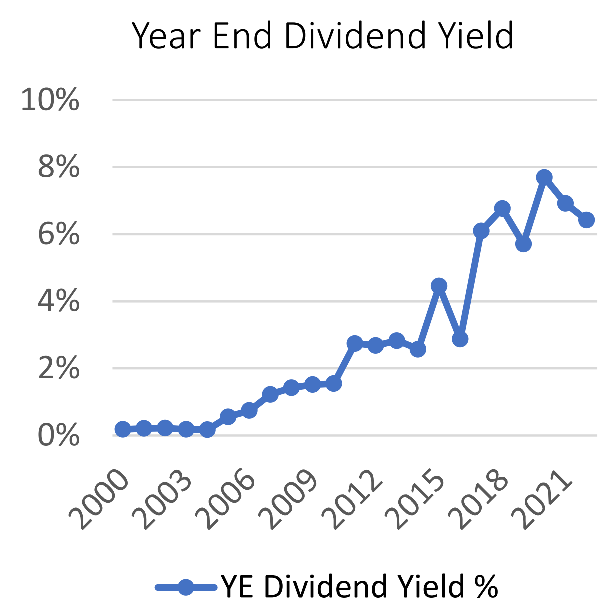
Company Overview *(Con't)*

The Dividend Strategy

The strategic utility of Enbridge as an investment vehicle lies in the company's **stable** and **growing dividend.** The attractiveness of the dividend is the opportunity it provides for growing the position at a **compounding rate.** Annual **dividends are reinvested** to buy more shares which will in turn yield a dividend to buy still more. The longer the position is held, the more robust it becomes.

Enbridge's strong dividend history is backed by its status as the **oldest midstream provider** in North America, **capital discipline**, and a unique **contracting model.** Operating for nearly 75 years, Enbridge has the advantage of an existing network, industry expertise, and access to capital unavailable to more recent entrants in the industry. The firm's capital discipline ensures that the company always meets its dividend obligations. Lastly, Enbridge's cost-of-service contract model gives the company heightened control over its margins. While the company is non-unique in that it is sensitive to commodity prices, it is set apart from other energy companies in that 98% of its contracts protect a predetermined margin. See Enbridge's robust dividend history below.

Dividend History



Customer Breakdown

Distribution

"Enbridge's principle source of revenue arises from distribution of natural gas to customers."

"Residential, small commercial, and industrial heating customers are served on a general service basis without a fixed term or price."

Larger commercial and industrial customers are served on the basis of a firm contract with obligations (ENB) up to a max daily volume.

Transportation

"Enbridge Gas contracts for firm transportation service, primarily with TransCanada Pipelines Limited (TransCanada), Vector and NEXUS, to meet its annual natural gas supply requirements"

"Enbridge Gas offers firm and interruptible transportation services on its own Dawn-Parkway pipeline system."

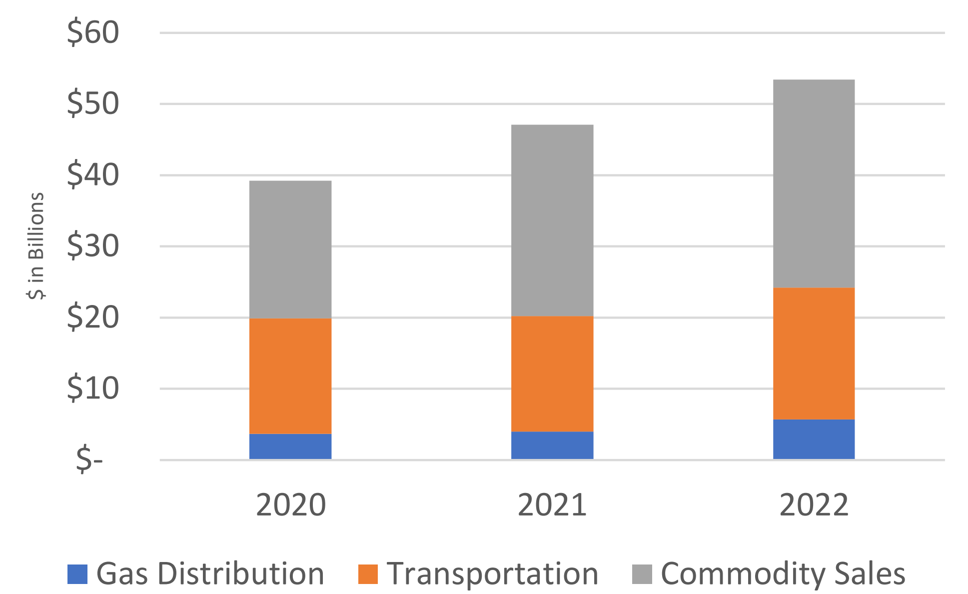
Enbridge's transportation customers are major storage and processing hubs throughout Canada and the U.S.

Storage

Enbridge has large storage facilities at Dawn. "Dawn is the largest integrated underground storage facility in Canada and one of the largest in North America."

Enbridge gains access to Dawn's customers and generates revenue with "fixed annual demand charges, with the average length of a long-term contract being approximately four years and the longest remaining contract term being 14 years."

Summary of Revenues

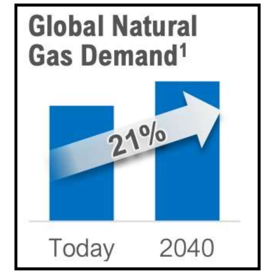


Sources: Enbridge 10-K

Company Tailwinds

20 Year Natural Gas Outlook

- Projected **21% growth** in global **Natural Gas demand.**
- More and more countries switching to **renewable energy** the next 10 years.
- Natural Gas is the most reasonable **substitute for coal.**
- **Strong industrial demand** worldwide will fuel the rise in demand for natural gas.



High European Demand

- On September 27, large leaks were detected in both Nord Stream 1 and Nord Stream 2 pipelines. Both pipelines are **severely damaged.**
- **6+** months to repair. Consequences will take shape over years.
- **Europe is desperate** for energy. The EU has given NG a green energy designation — pursuing 3-year strategy to minimize Russian imports.
- Biden administration approved **increased exports to Europe.**

Regulations Rolled Back

- The Biden Administration has **resumed oil leases** in the Gulf of Mexico and Alaska's Cook Inlet, allowing for increased **domestic inventories** and **exports.**
- The White House has **ruled out any ban** on natural gas exports to Europe this winter season.

Sources: IEA, Mckinsey, Occidental Petroleum Corporation, Nord Stream, Enbridge

Company Headwinds

Interest Rate Risk

- The Federal Reserve **raised its benchmark** interest rate for the sixth time in a row on Wednesday, to a range of 3.75% to 4%.
- ENB's interest expense on variable rate loans are exposed to the Federal Reserve's current policy of quantitative tightening.

Lawsuits

- Due to environmental concerns, the State of MI ordered Enbridge to shut down line 5 (645 miles through NW, WI, and MI) by May '21. Enbridge **ignored the order**.
- **Indian tribes sued** for 12 miles of line 5 that ran through expired easement of tribal land. Indian tribe won. Enbridge has 5 years to build an off-reservation route.

Highly Regulated Environment

- There are **strict regulations** on the construction of New pipelines and infrastructure.
- There is a constant discussion about whether local ecosystems and land should be destroyed to preserve the **global climate.**

Recession

- A worldwide recession could lead to lower volumes and a slow in demand.

Sources: Mckinsey, CNN, Oilprice.com, Michiganlcv.gov, Natural gas intel

Company Asset Map

Sources: Enbridge

Loss Analysis

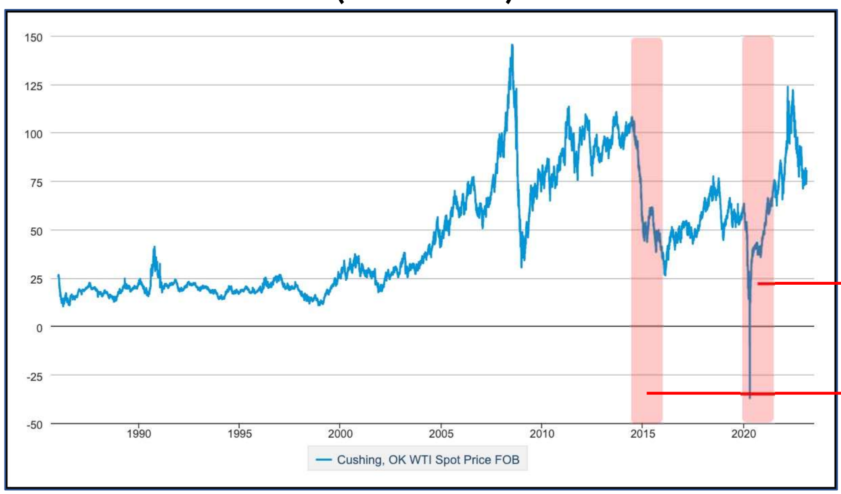
Enbridge's revenues are sensitive to commodity prices. The company outlines its sensitivity to commodity fluctuations in its 10-K filing:

"curtailment of commodity supply…can lead to fluctuations in commodity prices and price differentials, resulting in oversupply of pipeline takeaway capacity in some areas and an adverse effect to the utilization of our systems."

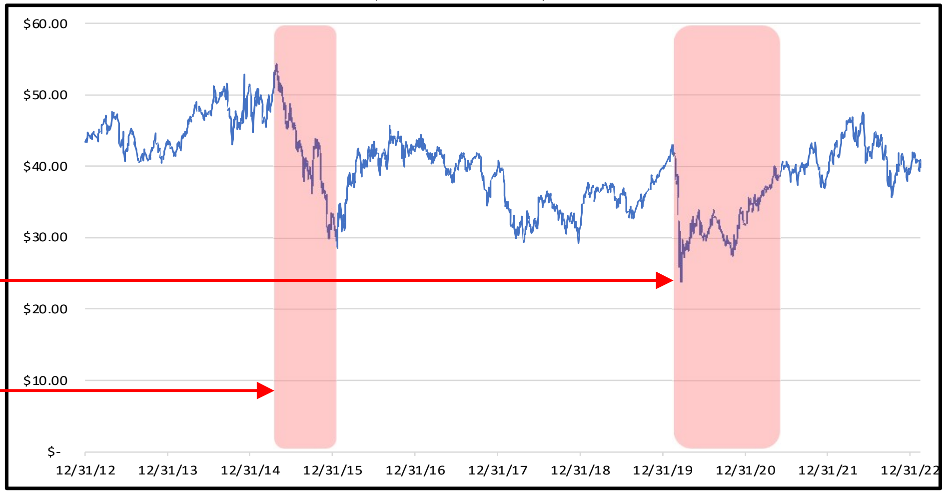
In 2015, crude oil prices dropped from over $100 into the $40 range, causing massive disruption of the North American energy sector. Midstream companies' utilization rates plummeted, and revenues consequently declined.

In 2020, the global economy was artificially shut down. Governments *en masse* forced the closure of businesses and production plummeted. Domestic and commercial consumption of fossil fuels declined dramatically. Thus, Enbridge's transportation and commodity sales businesses were negatively impacted.

WTI Crude Oil Prices (1886-2022)



ENB Historic Valuation (2012-2022)



Impact: Enbridge's losses in 2015 and 2020 are not attributable to poor fundamentals. Rather, the company's revenue and profit declined in 2015 and 2020 due to violent reversals in macroeconomic trends that affected large swaths of the economy. Its valuation sunk because investors pulled out emotionally without the long-term in view.

Sources: EIA, Motley Fool, Yahoo Finance

Financial Proformas

Income Statement *(historical)*

Year ended December 31,	**2022**	2021	2020	2019	2018	2017
(millions of Canadian dollars, except per share amounts)						
Operating revenues						
Commodity sales	**29150**	26873	19259	29309	27660	26286
Gas distribution sales	**5653**	4026	3663	4205	4360	4215
Transportation and other services	**18506**	16172	16165	16555	14358	13877
Total operating revenues	**53309**	47071	39087	50069	46378	44378
Operating expenses						
Commodity costs	**28942**	26608	18890	28802	26818	26065
Gas distribution costs	**3647**	2094	1779	2202	2583	2572
Operating and administrative	**8219**	6712	6749	6991	6792	6442
Depreciation and amortization	**4317**	3852	3712	3391	3246	3163
Impairment of long-lived assets	**541**	—	—	423	1104	4463
Impairment of goodwill	**2465**	—	—	—	1019	102
Total operating expenses	**48131**	39226	31130	41809	41562	42807
Operating Margin	**10%**	**17%**	**20%**	**16%**	**10%**	**4%**
Operating income	**5178**	7805	7957	8260	4816	1571
Income from equity investments	**2056**	1711	1136	1503	1509	1102
Impairment of equity investments	—	-111	-2351	—	—	—
Net foreign currency gain/(loss)	—	—	—	477	-522	237
Gain on joint venture merger transaction	**1076**	—	—	-300	-46	16
Other income/(expense)	**-589**	979	238	258	516	199
Interest expense	**-3179**	-2655	-2790	-2663	-2703	-2556
Earnings before income taxes	4542	7729	4190	7535	3570	569
Income tax expense	-1604	-1415	-774	-1708	-237	2697
Earnings	**2938**	6314	3416	5827	3333	3266
Net Margin	**6%**	**13%**	**9%**	**12%**	**7%**	**7%**
(Earnings)/loss attributable to noncontrolling interests	**65**	-125	-53	-122	-451	-407
Earnings attributable to controlling interests	**3003**	6189	3363	5705	2882	2859
Preference share dividends	**-414**	-373	-380	-383	-367	-330
Earnings attributable to common shareholders	**2589**	5816	2983	5322	2515	2529
Earnings per common share attributable to common shareholders	**1.28**	2.87	1.48	2.64	1.46	1.66
Diluted earnings per common share attributable to common shareholders	**1.28**	2.87	1.48	2.63	1.46	1.65

The accompanying notes are an integral part of these consolidated financial statements.

Sources: Enbridge 10-K

Financial Proformas

Cash Flow Statement *(historical)*

Statement does not include all line items

Year ended December 31,	**2022**	2021	2020	2019	2018	2017
(millions of Canadian dollars)						
Operating activities						
Earnings	**2,938**	6,314	3,416	5827	3333	3266
Adjustments to reconcile earnings to net cash provided by operating activities:						
Depreciation and amortization	**4,317**	3,852	3,712	3391	3246	3163
Deferred income tax expense (Note 25)	**957**	1,091	447	1156	(1,148)	(12,877)
Unrealized derivative fair value (gain)/loss, net (Note 24)	**1,280**	(173)	(756)	(11,751)	903	(1,242)
Impairment of equity investments (Note 13)	**—**	111	2,351	423	1104	4463
Impairment of goodwill (Note 16)	**2,465**	—	—	—	1019	102
Gain on joint venture merger transaction (Note 13)	**(1,076)**	—	—	—	—	—
Changes in operating assets and liabilities (Note 29)	**(12)**	(1,466)	93	(259)	915	(338)
Net cash provided by operating activities	**11,230**	9,256	9,781	9398	10502	6658
Investing activities						
Capital expenditures	**(4,647)**	(7,818)	(5,405)	(5,492)	(6,806)	(8,287)
Long-term investments and restricted long-term investments	**(1,041)**	(640)	(487)	(1,159)	(1,312)	(3,586)
Distributions from equity investments in excess of cumulative earnings	**763**	533	705	417	1277	125
Acquisitions	**(828)**	(3,785)	(24)	—	—	682
Proceeds from joint venture merger transaction (Note 13)	**522**	—	—	2110	4452	628
Proceeds from dispositions	**—**	1,263	265	20	12	212
Affiliate loans, net	**135**	65	(16)	(314)	(76)	(22)
Net cash used in investing activities	**(5,270)**	(10,657)	(5,177)	(4,658)	(3,017)	(11,037)
Financing activities						
Net change in short-term borrowings	**481**	394	223	(127)	(420)	721
Net change in commercial paper and credit facility draws	**(1,333)**	2,960	1,542	825	(2,256)	(1,249)
Debenture and term note issues, net of issue costs	**7,547**	8,032	5,230	6176	3537	9483
Debenture and term note repayments	**(4,198)**	(2,264)	(4,463)	(4,668)	(4,445)	(5,054)
Distributions to noncontrolling interests	**(259)**	(271)	(300)	(254)	(857)	(919)
Common shares repurchased	**(151)**	—	—	—	—	—
Preference share dividends	**(338)**	(367)	(380)	(383)	(364)	(330)
Common share dividends	**(6,968)**	(6,766)	(6,560)	(5,973)	(3,480)	(2,750)
Redemption of preference shares	**(1,003)**	—	—	(300)	(210)	—
Other	**(314)**	(87)	(90)	(71)	(23)	—
Net cash provided by/(used in) financing activities	**(5,428)**	1,236	(4,770)	(4,745)	(7,503)	3476
Effect of translation of foreign denominated cash and cash equivalents and restricted cash	**55**	(5)	(20)	44	68	(72)
Net change in cash and cash equivalents and restricted cash	**587**	(170)	(186)	39	50	(975)
Cash and cash equivalents and restricted cash at beginning of year	**320**	490	676	637	587	1562
Cash and cash equivalents and restricted cash at end of year	**907**	320	490	676	637	587
Supplementary cash flow information						
Cash paid for income taxes	**495**	489	524	571	277	172
Cash paid for interest, net of amount capitalized	**2,920**	2,427	2,538	2738	2508	2668
Property, plant and equipment and intangible assets non-cash accruals	**937**	831	801	730	847	889

The accompanying notes are an integral part of these consolidated financial statements.

Sources: Enbridge 10-K

Financial Proformas

Balance Sheet *(historical)*

December 31,

(millions of Canadian dollars; number of shares in millions)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	**861**	286
Restricted cash	**46**	34
Accounts receivable and other *(Note 9)*	**8,871**	6,862
Accounts receivable from affiliates	**114**	107
Inventory	**2,255**	1,670
	12,147	8,959
Property, plant and equipment, net *(Note 11)*	**104,460**	100,067
Long-term investments *(Note 13)*	**15,936**	13,324
Restricted long-term investments *(Note 14)*	**593**	630
Deferred amounts and other assets	**9,542**	8,613
Intangible assets, net *(Note 15)*	**4,018**	4,008
Goodwill *(Note 16)*	**32,440**	32,775
Deferred income taxes *(Note 25)*	**472**	488
Total assets	**179,608**	168,864

The accompanying notes are an integral part of these consolidated financial statements.

	2022	2021
Liabilities and equity		
Current liabilities		
Short-term borrowings *(Note 18)*	**1,996**	1,515
Accounts payable and other *(Note 17)*	**11,392**	9,767
Accounts payable to affiliates	**105**	90
Interest payable	**763**	693
Current portion of long-term debt *(Note 18)*	**6,045**	6,164
	20,301	18,229
Long-term debt *(Note 18)*	**72,939**	67,961
Other long-term liabilities	**9,189**	7,617
Deferred income taxes *(Note 25)*	**13,781**	11,689
	116,210	105,496
Commitments and contingencies *(Note 31)*		
Equity		
Share capital *(Note 21)*		
Preference shares	**6,818**	7,747
Common shares *(2,025 and 2,026 outstanding at December 31, 2022 and 2021, respectively)*	**64,760**	64,799
Additional paid-in capital	**275**	365
Deficit	**(15,486)**	(10,989)
Accumulated other comprehensive income/(loss) *(Note 23)*	**3,520**	(1,096)
Total Enbridge Inc. shareholders' equity	**59,887**	60,826
Noncontrolling interests *(Note 20)*	**3,511**	2,542
	63,398	63,368
Total liabilities and equity	**179,608**	168,864

Sources: Enbridge 10-K

Discounted Dividend Model *(5 Year forward valuation)*

Multi-Stage Model (USD $)

All Amount in USD

Multi-stage Dividend Discount Model

	2020	2021	2022	2023f	2024f	2025f	2026f	2027f	
Annual Dividend per share	2.41	2.68	2.63	Dividend.com					
Multi-Stage Dividend Growth Rate (g)				3.5%	3.5%	4.0%	4.0%	4.0%	
			Purchase Price	*Dividend Projections*					*Sale Price*
Expected Dividend (D)			$ (36.50)	$ 2.72	$ 2.82	$ 2.93	$ 3.05	$ 3.17	**$ 53.26**
Present Value of Dividends (PV of D)				$ 2.48	$ 2.33	$ 2.20	$ 2.09	$ 1.82	**$ 33.15**

Required Rate of Return		
Risk-free Rate	4.55%	3 Month T Bill
S&P 500 10yr annualized return	10.48%	S&P 500 Return
Market Risk Premium	5.93%	
Beta	0.91	Yahoo Finance
Cost of Equity (k)	**9.95%**	

Valuation	
Value	**$ 44.07**
Currrent Stock Price	$ 36.50
ROI	**20.7%**

Sources: Ycharts, S&P Global, Dividend.com, Yahoo Finance

Discounted Dividend Model *(15 year IRR calculation | valuation)*

Total Expected Return (USD $)

model assumes 100% dividend reinvestment

Period	Equity Value	Dividend Payment	New Number of shares	Expected Share Price	Expected Dividend	Yearly Cashflows
Year 0	**$ 6,000**		**164**	**$ 36.50**	**$ 2.64**	**$ (6,000)**
Year 1	$ 6,530	$ 434	176	$ 37.05	$ 2.77	$ 434
Year 2	$ 7,148	$ 513	190	$ 37.60	$ 2.91	$ 513
Year 3	$ 7,841	$ 581	206	$ 38.14	$ 3.06	$ 581
Year 4	$ 8,623	$ 660	223	$ 38.69	$ 3.21	$ 660
Year 5	$ 9,507	$ 751	242	$ 39.24	$ 3.37	$ 751
Year 6	$ 10,508	$ 857	264	$ 39.79	$ 3.54	$ 857
Year 7	$ 11,648	$ 981	289	$ 40.33	$ 3.71	$ 981
Year 8	$ 12,947	$ 1,126	317	$ 40.88	$ 3.90	$ 1,126
Year 9	$ 14,435	$ 1,297	348	$ 41.43	$ 4.10	$ 1,297
Year 10	$ 16,144	$ 1,498	385	$ 41.98	$ 4.30	$ 1,498
Year 11	$ 18,114	$ 1,737	426	$ 42.52	$ 4.52	$ 1,737
Year 12	$ 20,393	$ 2,020	473	$ 43.07	$ 4.74	$ 2,020
Year 13	$ 23,039	$ 2,357	528	$ 43.62	$ 4.98	$ 2,357
Year 14	$ 26,124	$ 2,761	592	$ 44.17	$ 5.23	$ 2,761
Year 15	**$ 29,735**	**$ 3,246**	**665**	**$ 44.71**	**$ 5.49**	**$ 29,735**

Model Assumptions	
Stock $ Growth	1.5%
Dividend Growth	5.0%
Discount Rate	8%
Purchase Price	$ 36.50
Initial Investment	$ 6,000.00

Model Outputs	
Future Value	$ 29,734.66
Present Value	$ 9,373.60
Net Present Value	$ 3,373.60
ROI	395.58%
IRR	20%

Proprietary Model

Sources: Ycharts, S&P Global, Dividend.com, Yahoo Finance

Discounted Cash Flow Model

Base (CAD $)

Unlevered Free Cash Flow Calulation

($mm)	Historical 2018	2019	2020	2021	Forecast 2022	2023	2024	2025	2026	Terminal Value 2026
Revenue	**46,378**	**50,069**	**39,087**	**47,071**	**50,837**	**54,904**	**59,296**	**64,040**	**69,163**	
% Revenue Growth	-	*7.96%*	*-21.93%*	*20.43%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	
Less COGS (excluding depreciation)	29,401	31,004	20,669	28,702	30,852	33,320	35,985	38,864	41,973	
Gross Profit	**16,977**	**19,065**	**18,418**	**18,369**	**19,985**	**21,584**	**23,311**	**25,175**	**27,190**	
% Margin	*36.61%*	*38.08%*	*47.12%*	*39.02%*	*39.3%*	*39.3%*	*39.3%*	*39.3%*	*39.3%*	
Less SG&A Expenses (Excludes D&A)	6,792	6,991	6,749	6,712	6,811	6,811	6,811	6,811	6,811	
Less R&D Expenses	0	0	0	0	0	0	0	0	0	
Less Non-Recurring Items	0	0	0	0	0	0	0	0	0	
Plus Unusual Income/Expense Items	0	0	0	0	0	0	0	0	0	
EBITDA	**10,185**	**12,074**	**11,669**	**11,657**	**13,174**	**14,773**	**16,500**	**18,364**	**20,379**	**Use 2026**
% Margin	*22.0%*	*24.1%*	*29.9%*	*24.8%*	*25.9%*	*26.9%*	*27.8%*	*28.7%*	*29.5%*	**EBITDA and**
Less D&A	3,246	3,391	3,712	3,852	3,705	4,002	4,322	4,668	5,041	**UFCF for**
EBIT	**6,939**	**8,683**	**7,957**	**7,805**	**9,469**	**10,771**	**12,178**	**13,697**	**15,337**	
% Margin	*14.96%*	*17.34%*	*20.36%*	*16.58%*	*18.63%*	*19.62%*	*20.54%*	*21.39%*	*22.18%*	
Less Taxes	237	1,708	774	1,415	2,613	2,925	3,267	3,636	4,035	
NOPAT	**6,702**	**6,975**	**7,183**	**6,390**	**6,856**	**7,846**	**8,911**	**10,061**	**11,302**	
Plus D&A	3,246	3,391	3,712	3,852	3,705	4,002	4,322	4,668	5,041	
Less Change in non-cash NWC	(961)	33	(455)	1,172	638	(46)	(50)	(54)	(58)	
Less CapEx	6,806	5,492	5,405	7,818	6,518	7,040	7,603	8,211	8,868	
Unlevered Free Cash Flows	**4,103**	**4,841**	**5,945**	**1,252**	**3,405**	**4,855**	**5,680**	**6,571**	**7,534**	**218,050**

Value of Discounted Cash Flows

	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Ca
Terminal Value										
Unlevered Free Cash Flow					3,405	4,855	5,680	6,571	7,534	218,050
Discount Period (Years)					1	2	3	4	5	5
Discount Factor					0.95	0.90	0.85	0.81	0.77	0.77
Discounted Cash Flows	-	-	-	-	**3,231**	**4,370**	**4,852**	**5,326**	**5,793**	**167,672**

Equity Value Per Share: Multiple Method

	WACC				
$57.51	4.39%	4.89%	5.39%	5.89%	6.39%
9.7x	$ 53.82	$ 51.77	$ 49.77	$ 47.84	$ 45.95
10.2x	$ 57.89	$ 55.74	$ 53.65	$ 51.62	$ 49.65
10.7x	$ 61.96	$ 59.71	**$ 57.53**	$ 55.41	$ 53.35
11.2x	$ 66.03	$ 63.69	$ 61.41	$ 59.20	$ 57.05
11.7x	$ 70.09	$ 67.66	$ 65.29	$ 62.99	$ 60.75

Sources: Roic.ai, Enbridge 10-K

Discounted Cash Flow Model

Base (CAD $)

Weighted Average Cost of Capital (WACC)	
Debt	
Debt (Current + Long Term)	75,354
Cost of Debt	3.65%
Tax Rate	15.00%
After-Tax Cost of Debt	3.1%
Debt to Total Capitalizatoin	55%
Equity	
Total Equity	60,826
Risk Free Rate	4.22%
Expected Rate of Return	8.00%
Equity Risk Premium	3.78%
Beta	0.92
Cost of Equity	7.70%
Equity to Total Capitalization	45%
Total Capitalization	136,180
WACC	**5.39%**

Terminal Value: Exit Multiple Method	
EBITDA (Final Period)	20,379
EBITDA Exit Multiple	10.7
Terminal Value	**218,050**
Present Value of TV	**167,672**
Present Enterprise Value	**191,244**
Terminal Value % of EV	114%

Share Price Calc: Exit Multiple	
WACC	**5.39%**
EBITDA Exit Multiple	10.7
Terminal Value	218,050.3
Present Value of TV	167,672
Implied Enterprise Value	**191,244**
Less: Debt	75,354
Less: Prefered Stock	
Less: Minority Interest	
Plus: Cash	286
Implied Equity Value	**116,176**
Total Shares Outstanding	**2,020**
Implied Equity Value/Share	**57.51**
Current Value/Share (CAD)	52.78
Upside:	**$4.73**
	9%

Sources: Roic.ai, Enbridge 10-K

Analyst Valuations

Average

Group	Target Price (CAD)	USD Conversion
CIBC Capital Markets	$ 62.00	$ 45.31
iA Capital Markets	$ 57.00	$ 41.65
Morningstar	$ 52.00	$ 38.00
National Bank Financial	$ 54.00	$ 39.46
Peter's & Co. Limited	$ 56.00	$ 40.92
Raymond James & Associates	$ 60.00	$ 43.85
TD Securities Equity Research	$ 62.00	$ 45.31
US Capital Advisors, LLC	$ 57.00	$ 41.65
Veritas Investment Research Corp.	$ 60.00	$ 43.85
Argus	$ -	$ 48.00
Wells Fargo Securities, LLC	$ 60.00	$ 43.85
Average	$ 52.73	**$ 42.90**

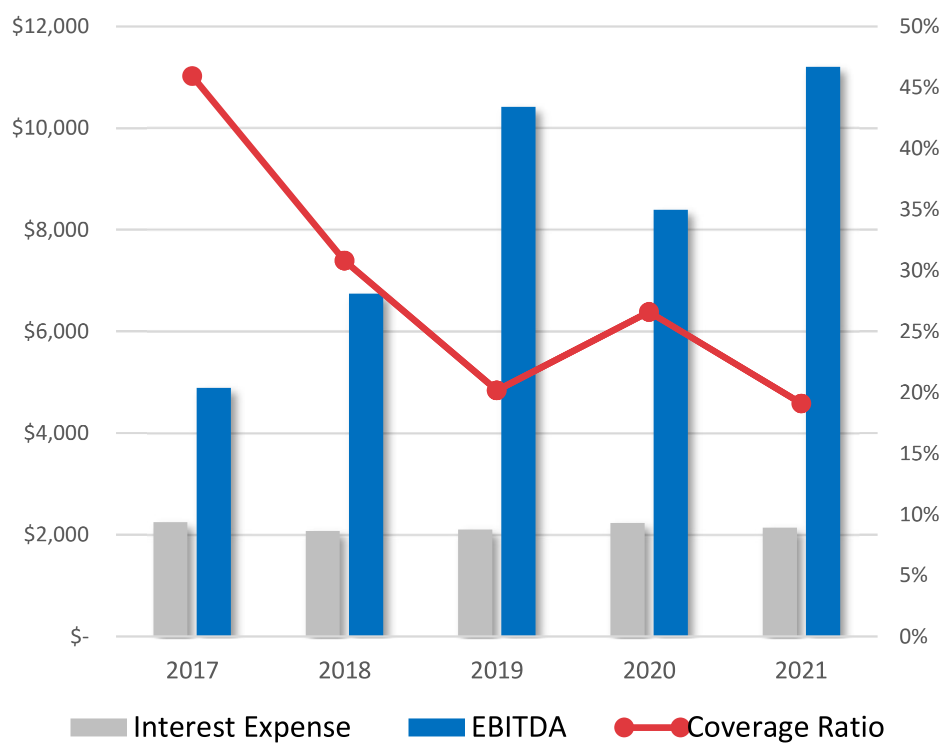
Sources: Capital IQ, Vanguard

ENB Debt Service Capability

Competitor Analysis

(Ticker)	Price	DPS	Dividend Yield	10 Year Dividend CAGR	2021 Debt/EBITDA	2021 Coverage Ratio	ROA	P/E	Cap
EPD	$ 26.78	$ 1.80	7.3%	4%	3.58x	16%	7%	9.5x	$54B
ENB	$ 39.34	$ 2.68	6.7%	9%	4.8x	19%	2%	16.9x	$79B
KMI	$ 18.09	$ 1.07	6.1%	-4%	7.15x	53%	4%	14.9x	$40B

ENB debt coverage



- Enbridge maintains a 10-year dividend CAGR more than **double** its competitors' while lowering its coverage ratio dramatically.
- Enbridge offers the **superior combination** of significantly **larger network, access** to international markets, and **higher growth** with a **low debt** burden as compared to its primary competitors.
- Enbridge's low debt, age, and access to funding makes the company a **lower risk** investment vehicle with a **higher prospective return.**

Sources: Dividend.com, Enbridge 10-K, ROIC.ai