



4 Reasons to Buy Pembina Pipeline Corporation

Description

Investors in Canadian pipeline companies normally focus on **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)) or **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)) but the best Canadian pipeline company to own right now could be **Pembina Pipeline Corporation** ([TSX: PPL](#))([NYSE: PBA](#)).

Here are four reasons why I think Pembina Pipeline Corporation deserves a place in your portfolio:

1. Diversified assets

Pembina operates a variety of integrated assets across four business units: conventional pipelines, oil sands and heavy oil, midstream, and gas services.

Pembina's conventional pipeline operations started 60 years ago. Today, the company owns and operates more than 8,000 km of pipelines serving customers in Alberta and British Columbia.

In fact, the company now transports about half of Alberta's conventional crude oil production, roughly 30% of all the natural gas liquids (NGL) produced in western Canada, and most of the conventional oil production in British Columbia.

In Alberta's oil sands region, Pembina works closely with both **Canadian Natural Resources Ltd.** ([TSX: CNQ](#))([NYSE: CNQ](#)) and Syncrude Canada Ltd. to transport synthetic crude oil from the oil sands operations in Fort McMurray to Edmonton.

Pembina also provides diluted bitumen pipeline transportation services to heavy oil producers located in Alberta's Peace River region.

All in, Pembina owns and operates more than 1,600 km of pipelines dedicated to oil sands production representing about 30% of the capacity coming out of the Athabasca area.

Midstream operations at Pembina are split into two areas: NGL and crude oil. The NGL assets include Redwater West and Empress East. The crude oil operations are located at key sites along the company's pipeline facilities and include a network of truck terminals as well as storage and pipeline

connectivity hubs.

The last business unit is Pembina's rapidly growing natural gas gathering and processing business. The company is focusing on active and emerging areas with rich NGL deposits.

The diversified nature of Pembina's asset base is attractive to investors because it allows the company to manage capital according to the opportunities that arise in the different business groups, offering valued services to its customers across the entire hydrocarbon value chain.

2. Growth projects

Pembina has a number of exciting development projects in the works that will continue to drive revenue and free cash flow over the long term.

On September 2, Pembina announced it is purchasing the Vantage ethane pipeline in the Bakken region for US\$650 million. The acquisition enhances Pembina's fee-for-service pipeline infrastructure and gives the company access to growing production in North Dakota.

The same day, Pembina reported it has signed an agreement to construct a propane export terminal in Portland, Oregon. The US\$500 million facility will be completed by early 2018 and have the capacity to export 37,000 barrels of propane per day to Asian markets.

Propane, ethane, and butane are the byproducts of much of the shale drilling operations. Known as natural gas liquids, the three products are in high demand overseas and Pembina is looking to be the middleman between the producers and consumers.

Pembina's most ambitious growth project is its Phase III Expansion. Announced in December of 2013, Pembina has 30 long-term agreements in place from customers to support a \$2 billion expansion of its pipeline network. The Phase III Expansion will add 540 km of pipelines between Taylor, British Columbia and Edmonton, Alberta.

Pembina also has six other expansion projects either planned or under construction to meet the expanding demands of its customers.

3. Dividend and share-price growth

Shareholders of Pembina Pipeline have been rewarded handsomely. The company has raised its monthly dividend three times in the past three years. The current annualized payout of \$1.74 per share yields about 3.3% and the stock has increased more than 240% in the past five years.

4. Takeover target

At some point I expect Pembina Pipeline to be a takeover target. With its unique mix of diversified assets in key growth areas of the North American energy market, Pembina should be an attractive acquisition for one of the larger pipeline players.

CATEGORY

1. Investing

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. NYSE:TRP (Tc Energy)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:ENB (Enbridge Inc.)
7. TSX:PPL (Pembina Pipeline Corporation)
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Date

2025/09/10

Date Created

2014/09/08

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