



## Does Pembina Pipeline Corp. Represent a Long-Term Opportunity Today?

### Description

**Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)), one of the leading transportation and service providers to North America's energy industry, released fourth-quarter earnings after the market closed on February 26, and its stock responded by rising over 2.5% in the trading session that followed. Let's take a closer look at the quarterly results to determine if we should consider buying into this rally, or if we should wait for it to subside.

#### A quarter of year-over-year declines

In the fourth quarter of fiscal 2014, Pembina's net income decreased 11.6% to \$84 million, its earnings per share decreased 24.1% to \$0.22, its revenue decreased 1.8% to \$1.26 billion, and its net revenue decreased 19.8% to \$304 million compared to the fourth quarter of fiscal 2013. The company noted that these weak results could be attributed to declining commodity prices, which resulted in lower-price differentials and a \$38 million inventory write-down in its Midstream segment.

Here's a quick breakdown of 10 other notable statistics from the report compared to the year-ago period:

1. Throughput volume increased 22.4% to 612,000 barrels per day in its Conventional Pipelines segment
2. Oil Sands & Heavy Oil contracted capacity remained unchanged at 880,000 barrels per day
3. Gas Services average volume processed increased 47% to 97,000 barrels of oil equivalents per day
4. Midstream natural gas liquids sales volume increased 6.6% to 130,000 barrels per day
5. Operating profit decreased 29.1% to \$195 million
6. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 27.7% to \$170 million
7. Gross profit decreased 38.7% to \$144 million
8. Adjusted cash flow from operating activities decreased 11.4% to \$164 million
9. Capital expenditures increased 75.6% to \$483 million
10. Paid out monthly dividends totaling \$0.435 per share for a total cost of approximately \$146

million, compared to dividends totaling \$0.42 per share for a total cost of \$132 million in the year-ago period

### Should you buy shares of Pembina today?

Pembina Pipeline Corp. is one of the leading transportation and service providers of North America's energy industry, and decreased commodity prices led it to a weak fourth-quarter performance, but its stock responded to the release by rising over 2.5%.

Although I do not think the post-earnings rally in Pembina's stock was warranted, I do think it represents an attractive long-term investment opportunity today, because it trades at favourable forward valuations and because it pays a high dividend.

First, Pembina's stock trades at 37.7 times fiscal 2014's adjusted earnings per share of \$1.06, which seems a bit high, but it trades at 32.2 times fiscal 2015's estimated earnings per share of \$1.24, and only 27 times fiscal 2016's estimated earnings per share of \$1.48, both of which are inexpensive compared to its long-term growth potential.

Second, Pembina pays a monthly dividend of \$0.145 per share, or \$1.74 per share annually, which gives its stock a bountiful 4.4% yield, and I think this makes it both a growth and dividend play today.

With all of the information above in mind, I think Pembina Pipeline Corp. represents a great long-term investment opportunity. Foolish investors should take a closer look and consider establishing long-term positions today.

### CATEGORY

1. Energy Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

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