



3 Reasons Why You Should Buy Inter Pipeline Ltd. Today

Description

Inter Pipeline Ltd. (TSX:IPL), one of the largest providers of petroleum transportation and bulk liquid storage in Western Canada and northern Europe, has watched its stock widely underperform in the overall market in 2015, falling more than 12% as the TSX Composite Index has risen over 4.5%, but it has the potential to be one of the market's top performing stocks from this point forward. Let's take a look at three of the primary reasons why this could happen and why you should consider initiating a long-term position today.

1. Record financial and operating results to support a higher stock price

On February 19 Inter Pipeline released record financial and operating results for its fiscal year ending on December 31, 2014, but its stock has fallen about 8% in the weeks since. Here's a breakdown of 10 of the most notable statistics from the annual report compared with fiscal 2014:

1. Record net income of \$349.5 million, compared with a net loss of \$47 million in fiscal 2014
2. Earnings per share of \$1.02, compared with a net loss of \$0.20 per share in fiscal 2014
3. Revenue increased 14.2% to \$1.56 billion
4. Funds from operations increased 19.3% to a record \$564 million
5. Total pipeline throughput volume increased 10.2% to a record 1,118,100 barrels per day
6. Oil sands transportation throughput volume increased 10.2% to a record 912,900 barrels per day
7. Conventional oil pipelines throughput volume increased 10% to 205,200 barrels per day
8. Total natural gas liquids extraction volume decreased 11.4% to 97,600 barrels per day
9. Cash dividends declared increased 25.1% to a record \$423.1 million, or \$1.32 per share
10. Total capital expenditures decreased 36.6% to \$1.24 billion

2. The stock trades at inexpensive forward valuations

At today's levels Inter Pipeline's stock trades at just 23.9 times fiscal 2015's estimated earnings per share of \$1.31 and only 22.5 times fiscal 2016's estimated earnings per share of \$1.39, both of which are inexpensive compared with the industry average price-to-earnings multiple of 28.5.

I think Inter Pipeline's stock could consistently command a fair multiple of at least 28, which would

place its shares upwards of \$36.50 by the conclusion of fiscal 2015 and upwards of \$38.75 by the conclusion of fiscal 2016, representing upside of more than 16% and 23%, respectively, from current levels.

3. A generous dividend that is on the rise

Inter Pipeline pays a monthly dividend of \$0.1225 per share, or \$1.47 per share annually, giving its stock a very high 4.7% yield at current levels. It is also important to note that the company has increased its dividend seven times in the last six years, making it one of the top dividend-growth plays in the energy sector today.

Should you invest in Inter Pipeline today?

Inter Pipeline represents one of the best long-term investment opportunities in the market today because it has the support of record financial and operating results; because it trades at inexpensive forward valuations; and because it has a bountiful 4.7% dividend yield. All Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/10/01

Date Created

2015/04/29

Author

jsolitro

default watermark

default watermark