



Is Pembina Pipeline Corp. the Top Pipeline Stock to Buy Today?

Description

Pembina Pipeline Corp. ([TSX:PPL](#))([NYSE:PBA](#)), one of the leading transportation and service providers to North America’s energy industry, announced first-quarter earnings before the market opened on May 6 and its stock has responded by falling about 1%. Let’s break down the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity, or as a warning sign.

Lower commodity prices lead to weak first-quarter results

Here’s a summary of Pembina’s first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	\$0.32	\$0.41
Revenue	\$1.15 billion	\$1.76 billion

Source: Pembina Pipeline Corp.

Pembina’s diluted earnings per share decreased 22% and its revenue decreased 34.4% compared with the first quarter of fiscal 2014. The company noted that these weak results could be attributed to “the impact of significantly lower commodity prices,” including the average market price of propane falling over 50% compared with the year-ago period.

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

1. Conventional Pipelines throughput volume increased 14.5% to 633,000 barrels per day
2. Gas Services average volume processed increased 28.4% to 113,000 barrels of oil equivalents per day
3. Midstream natural gas liquids sales volume decreased 3% to 129,000 barrels per day
4. Net revenue decreased 16.1% to \$375 million

5. Operating margin decreased 18.9% to \$284 million
6. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 24.1% to \$240 million
7. Gross profit decreased 24.5% to \$228 million
8. Adjusted cash flow from operating activities decreased 19.3% to \$213 million
9. Adjusted cash flow from operating activities decreased 24.1% to \$0.63 per share
10. Capital expenditures increased 73.5% to \$498 million

Also, on May 5 Pembina announced a 5.2% increase to its monthly dividend to \$0.1525 per share, and the next payment will come on June 15 to shareholders of record at the close of business on May 25.

Should you buy shares of Pembina on the dip?

Although I think the post-earnings weakness in Pembina's stock is warranted, I also think it represents a very attractive long-term buying opportunity because it trades at inexpensive valuations and has a very high dividend yield.

First, Pembina's stock trades at 36.8 times fiscal 2015's estimated earnings per share of \$1.12 and just 29.5 times fiscal 2016's estimated earnings per share of \$1.40, both of which are inexpensive compared with its long-term growth potential.

Second, Pembina now pays an annual dividend of \$1.83 per share, giving its stock a very high 4.4% yield at today's levels. The company has also increased its dividend for four consecutive years, showing that it is strongly dedicated to maximizing shareholder returns.

With all of the information provided above in mind, I think Pembina Pipeline Corp. represents one of the best long-term investment opportunities in the energy sector today. Foolish investors should take a closer look and strongly consider using the post-earnings weakness to begin scaling in to positions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/10/01

Date Created

2015/05/07

Author
jsolito

default watermark

default watermark