



## Should You Buy, Sell, or Hold Inter Pipeline Ltd. After its Q1 Report?

### Description

**Inter Pipeline Ltd.** (TSX:IPL), one of the largest owners and operators of energy infrastructure assets in western Canada and Europe, announced its first-quarter earnings results after the market closed on May 9, and its stock has responded by making a slight move to the upside. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

#### A quarter of mixed growth

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

Metric	Q1 2016	Q1 2015
Earnings Per Share	\$0.28	\$0.34
Total Revenue	\$416.4 million	\$405.8 million

*Source: Inter Pipeline Ltd.*

Inter Pipeline's earnings per share decreased 17.6% and its revenue increased 2.6% compared with the first quarter of fiscal 2015. Its steep decline in earnings per share can be attributed to its net income decreasing 14.8% to \$104.6 million, and it noted that this was mainly due to its depreciation and amortization increasing 29.5% to \$54.9 million and a \$14.9 million one-time onerous contract adjustment.

Its strong revenue growth can be attributed to its revenues increasing in three of its four major segments, including 8% growth to \$191.6 million in its Oil Sands Transportation segment, 4.8% growth to \$81.5 million in its Conventional Oil Pipelines segment, and 36.8% growth to \$65.8 million in its Bulk Liquid Storage segment.

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

1. Average pipeline throughput volumes remained relatively unchanged at 1.31 million barrels per day
2. Average natural gas liquids extraction volume decreased 6.4% to 105,800 barrels per day
3. Bulk liquid storage capacity utilization improved 800 basis points to 98%
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 6.9% to \$238.8 million
5. Cash provided by operating activities increased 10.5% to \$175.3 million
6. Funds from operations increased 5.4% to \$186 million
7. Funds from operations per share increased 3.8% to \$0.55
8. Dividends paid per share increased 6.1% to \$0.39

Inter Pipeline also announced that it would be maintaining its dividend of \$0.13 per share for the month of May, and it will be paid out on June 15 to shareholders of record at the close of business on May 24.

### **What should you do with Inter Pipeline today?**

It was a solid quarter overall for Inter Pipeline, so I think its stock should continue to move higher over the course of today's trading session. I also think the stock represents a great long-term investment opportunity for two reasons in particular.

First, it's undervalued. Inter Pipeline's stock trades at just 17.6 times fiscal 2016's estimated earnings per share of \$1.44 and only 17.2 times fiscal 2017's estimated earnings per share of \$1.47, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 26.9 and the industry average multiple of 37.4. These multiples are also inexpensive given its estimated 9.9% long-term earnings growth rate.

Second, it has one of the best dividends in the energy sector. Inter Pipeline pays a monthly dividend of \$0.13 per share, or \$1.56 per share annually, which gives its stock a very high and very safe yield of about 6.15%. It is also very important to note that the company has raised its annual dividend payment for seven consecutive years, and its 6.1% hike in November 2015 has it on pace for 2016 to mark the eighth consecutive year with an increase.

With all of the information provided above in mind, I think Inter Pipeline should be on every Foolish investor's buy list.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

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