



## Which Stock Is the Better Buy: Pembina Pipeline Corp. or Inter Pipeline Ltd.?

### Description

Crude oil prices continue to struggle, and, as a result, many oil and gas stocks have struggled to find much upward momentum. I'm going to look at two big oil and gas companies that are near 52-week lows and determine which stock has more upside.

**Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)), as of the close on Thursday, was trading under \$40 a share — only a few dollars shy of its 52-week low of \$37.25. Despite a positive earnings result, the stock has dropped by over 6% since the start of August.

**Inter Pipeline Ltd.** (TSX:IPL) is running a lot closer to its 52-week low of \$22.70 with a closing price on Thursday of just \$22.85. The stock has been on a persistent decline since the start of the year with the share price declining over 22% since January.

Both of these stocks are seeing share prices plummet and could be great value investments for an opportunistic investor. I'll dig a bit further into each company to see which stock is better.

### Financial analysis

Pembina has seen revenues drop for two consecutive years with 2016's sales of \$4.2 billion — down 30% from two years ago. In its most recent quarter, the company's revenue showed growth of 13% year over year, while profits were up almost 10%.

Inter Pipeline has seen much more consistent growth in its sales with the past three years showing solid year-over-year increases. With \$1.8 billion in sales for 2016, revenues were up almost 9% from the prior year and have grown 34% since 2013. In its most recent quarter, Inter Pipeline also saw sales increase by 25% from last year.

### Stock performance

Year to date, Inter Pipeline's stock has been on a continuous decline, whereas Pembina has seen a lot of range activity with its share price being a lot more volatile. Over the past five years, Pembina has been able to generate a return of over 44%, while Inter Pipeline has yielded a more modest increase of

just 5%. Both stocks peaked around September 2014, and both have followed similar paths since, with Inter Pipeline seeing more of a drop.

## Dividends

Inter Pipeline currently offers a higher-yielding dividend of 7% compared to Pembina's payout of 5%. However, neither company has a particularly long history of paying dividends. Pembina goes back to 2008, and Inter Pipeline goes back to 2013.

In the past couple of years, Pembina has averaged a payout ratio of around 50% of its free cash flow and even reached as low as 29% in 2015. Inter Pipeline has had a slightly higher payout in the past year with over 75% of its free cash being paid out as dividends, and in 2015 the ratio reached 96%.

## Bottom line

These companies have been heading in opposite directions, and Inter Pipeline looks like it may have more upside given the slide it has been on this year. Although the company's payout ratio was a bit higher in the prior year, as revenue continues to grow, the ratio will become more manageable. With a stronger dividend, better growth, and a stock that has been on more of a decline, Inter Pipeline's stock looks like it may have more upside than Pembina. However, I would wait for the stock to reach a bottom or some sort of support before buying in while it is still in free fall.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

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

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

## Tags

1. Editor's Choice

### Date

2025/09/02

### Date Created

2017/08/22

### Author

djagielski

default watermark

default watermark