



Inter Pipeline Ltd. Reports Record 2017 Results: Time to Buy?

Description

Inter Pipeline Ltd. (TSX:IPL), one of the largest owners and operators of energy infrastructure assets in western Canada and Europe, released its fiscal 2017 fourth-quarter and full-year earnings results after the market closed on Thursday, and its stock responded by making a slight move to the downside in Friday's trading session. Let's break down the earnings results and the fundamentals of its stock to determine if we should be long-term buyers today.

Breaking it all down

Here's a quick breakdown of 10 of the most notable statistics from Inter Pipeline's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Total revenue	\$618.3 million	\$560.7 million	10.3%
Funds from operations	\$267.8 million	\$254.7 million	5.1%
Funds from operations per share	\$0.71	\$0.71	Unchanged
Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) attributable to shareholders	\$311.1 million	\$283.9 million	9.6%
Net income attributable to shareholders	\$141.9 million	\$125.8 million	12.8%
Net income per share (EPS)	\$0.37	\$0.35	5.7%

Total pipeline volumes (thousands of barrels per day)	1,416.3	1,372.8	3.2%
Total Natural Gas Liquids (NGL) processing volumes (thousands of barrels per day)	127.7	143.6	(11.1%)
Bulk liquid storage utilization rate	91%	99%	(800 basis points)
Dividends declared per share	\$0.415	\$0.40	3.8%

And here's a quick breakdown of 10 notable statistics from Inter Pipeline's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Total revenue	\$2,260.6 million	\$1,824.6 million	23.9%
Funds from operations	\$990.6 million	\$848.8 million	16.7%
Funds from operations per share	\$2.65	\$2.47	7.3%
Adjusted EBITDA	\$1,149.1 million	\$1,007.7 million	14.0%
Net income	\$526.7 million	\$449.7 million	17.1%
Net EPS	\$1.41	\$1.31	7.6%
Total pipeline volumes (thousands of barrels per day)	1,390.6	1,296.6	7.2%
Total NGL processing volumes	118.8	111.7	6.4%
Bulk liquid storage utilization rate	96%	98%	(200 basis points)
Dividends declared per share	\$1.63	\$1.57	3.8%

Is now the time to buy Inter Pipeline?

The fourth quarter was outstanding overall for Inter Pipeline, and it capped off a year to remember for the company, highlighted by record funds from operations, net income, and average pipeline throughput volume per day. With its very strong results in mind, I think its stock should have reacted by soaring on Friday; furthermore, I think the stock represents a very attractive long-term investment opportunity today for two primary reasons.

First, [it's undervalued](#). Inter Pipeline's stock currently trades at just 16.2 times fiscal 2017's EPS of \$1.41 and only 14.6 times the consensus EPS estimate of \$1.56 for fiscal 2018, both of which are

inexpensive compared with its five-year average multiple of 23.2 and its long-term growth potential; these multiples are also inexpensive given its very strong cash flow-generating ability due to 77% of its EBITDA coming from cost-of-service and fee-based contracts.

Second, it has a high and safe dividend yield with an impressive track record of growth. Inter Pipeline currently pays a monthly dividend of \$0.14 per share, representing \$1.68 per share annually, which gives it a massive 7.4% yield. It's also important to note that the infrastructure giant's [3.7% dividend hike](#) in November has it on track for 2018 to mark the 10th straight year in which it has raised its annual dividend payment, and I think its very strong financial performance will allow this streak to continue for many years to come.

With all of the information provided above in mind, I think all Foolish investors should strongly consider initiating long-term positions in Inter Pipeline today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

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

2025/09/09

Date Created

2018/02/19

Author

jsolitro

default watermark

default watermark