



Why Pembina Pipeline Corp. Is Rallying Over 4%

Description

Pembina Pipeline Corp. ([TSX:PPL](#))([NYSE:PBA](#)), one of North America's largest owners and operators of energy infrastructure, announced its fiscal 2017 fourth-quarter and full-year earnings results after the market closed yesterday, and its stock has responded by rallying over 4% at the open of today's trading session. Let's break down the results and the fundamentals of its stock to determine if now is the time to buy.

A record financial performance

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

Metric	Q4 2017	Q4 2016	Change
Revenue	\$1,716 million	\$1,251 million	37.2%
Net revenue	\$709 million	\$514 million	37.9%
Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$674 million	\$342 million	97.1%
Adjusted cash flow from operating activities	\$499 million	\$292 million	70.9%
Adjusted cash flow from operating activities per common share	\$0.99	\$0.74	33.8%
Earnings	\$445 million	\$131 million	239.7%
Diluted earnings per common share (EPS)	\$0.83	\$0.28	196.4%

Total volume – thousands of barrels of oil equivalent per day (mboe/d)	2,917	1,941	50.3%
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And here's a quick breakdown of eight of the most notable statistics from Pembina's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Revenue	\$5,408 million	\$4,265 million	26.8%
Net revenue	\$2,246 million	\$1,764 million	27.3%
Adjusted EBITDA	\$1,705 million	\$1,189 million	43.4%
Adjusted cash flow from operating activities	\$1,396 million	\$986 million	41.6%
Adjusted cash flow from operating activities per common share	\$3.27	\$2.54	28.7%
Earnings	\$891 million	\$466 million	91.2%
Diluted EPS	\$1.88	\$1.01	86.1%
Total volume – (mboe/d)	1,705	1,189	43.4%

Is now the time to buy?

The fourth quarter capped off a transformational year for Pembina, in which it completed its strategic [acquisition of Veresen](#) and placed \$4.8 billion of projects into service, and this led to record fourth-quarter and full-year adjusted EBITDA, adjusted cash flow, and adjusted cash flow per share for the company; with its record performance in mind, I think the large pop in its stock is warranted, and I think it's still a great buy today for two fundamental reasons.

First, it's still undervalued. Even after the +4% pop, Pembina's stock trades at just 22.8 times fiscal 2017's diluted EPS of \$1.88 and only 20.3 times the consensus EPS estimate of \$2.11 for fiscal 2018, both of which are very inexpensive given its current earnings-growth rate and its [long-term growth](#) potential; these multiples are also inexpensive compared with its five-year average multiple of 36.8.

Second, it has one of [the best dividends](#) in the energy sector. Pembina currently pays a monthly dividend of \$0.18 per share, representing \$2.16 per share annually, which gives it a juicy 5% yield. Investors must also note that the infrastructure giant's 5.9% dividend hike in November has it on track for 2018 to mark the seventh straight year in which it has raised its annual dividend payment, making it both a high-yield and dividend-growth play.

With all of the information provided above in mind, I think all Foolish investors seeking exposure to the energy sector should strongly consider beginning to scale in to long-term positions in Pembina Pipeline today.

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