



## Could Kinder Morgan (TSX:KML) Be a Buy as an Acquisition Target?

### Description

We all speculate. Financial markets allow for “price discovery” (i.e., settling on a market price for a given company), and speculation plays a significant role in market makers coming to a consensus on what a company should be valued.

While long-term investment decisions should certainly not be made on speculation, for those who must speculate, **Kinder Morgan Canada Limited** (TSX:KML) is a company that could — and likely is — on the acquisition block at this point as a potential acquisition target, following comments made by CEO Steve Kean.

Mr. Kean has called the Kinder Morgan assets in Canada, which include crude tank storage and rail terminals in Western Canada, a B.C. terminal and a condensate pipeline, excellent assets, noting that the value these should carry on the open market today likely exceeds the value these assets trade for on the open market: “We think that asset packages like this are rare, anywhere, but they’re rare to come to market and they’re rare to come to market in Western Canada, so we do think that it tends to be a bit of a seller’s market for these assets.”

Of course, Kinder Morgan Canada has recently sold its most significant asset, the Trans Mountain Pipeline, to the Canadian government for \$4.5 billion, marking what could turn out to be the beginning of an all-out Canadian asset sale.

Other international companies operating in Canada have sold all or part of their holdings in Canada in recent years, succumbing to a significant discount between what Western Canadian oil producers receive for their product and what global producers receive for various grades of crude.

Kinder Morgan’s operations in Canada remain profitable, and it may make sense for a suitor to come forward who may be involved with the Canadian government or is looking to take advantage of a government-owned pipeline at this point in time.

While it is unclear whether the Canadian government is looking to hold onto its Trans Mountain assets long-term, the reality remains that Kinder Morgan Canada’s existing assets in Canada are valuable and may receive a premium based on the price the company was able to negotiate with the Trudeau

government for its Trans Mountain pipeline.

### Bottom line

It appears to me that at this point, buying shares of Kinder Morgan Canada would require a scenario analysis with respect to the potential for an all-out sale of the holding company's assets – [either in pieces](#) or in whole to a suitor willing to buy the whole company.

The environment may not be as rosy as CEO Kean believes, and investors may be getting into a sticky situation if Kinder Morgan continues to operate as is.

Either way, this is a company to buy with care for those speculators. For everyone else, [staying on the sidelines](#) should suffice.

Stay Foolish, my friends.

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chrismacdonald

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