This Dividend Stock Yielding 9% Is Among the Best TFSA Bets for 2019

Description

It's not always safe to buy high-yield dividend stocks for your retirement portfolio, such as the one you could be building by using your Tax-Free Savings Account (TFSA).

But as we say goodbye to 2018, we are seeing a lot of dividend stocks trading below their true value, and I see a couple of names look quite attractive to earn a steady payout for your TFSA. Calgary-based **Inter Pipeline** (TSX:IPL) is one of them.

During the past three months, IPL stock has come under severe pressure, falling over 17% and trading at its lowest level in more than five years. This massive pullback came at a time when oil markets turned ugly and Canada faced its worst pipeline capacity shortages, making the nation's producers unable to move their products south of the border.

In this worsening macro backdrop, investors painted many energy companies with the same brush by sending their shares tumbling. But if you dig a little deeper, you will find IPL isn't a stock that should be treated that badly. Here are my two top reasons why.

Diversified business

IPL runs a very diversified business that insulates it from many negative developments that are affecting pure upstream players. IPL operates four business segments in Western Canada and Europe. Its pipeline systems span over 7,800 kilometres in length and transport approximately 1.4 million barrels per day.

In Europe, IPL operates 16 strategically located petroleum and petrochemical storage terminals, which have a combined storage capacity of approximately 27 million barrels. Its NGL business is one of the largest in Canada, processing an average of 2.8 bcf/d in 2017 with the capacity to produce over 240,000 b/d of NGL.

Strong growth momentum

The second reason that makes me very bullish for IPL stock for long-term TFSA investors is the company's strong growth momentum. In late October, IPL announced a $354 million deal to buy European storage terminals from Texas-based **NuStar Energy**.

The deal will add six liquids storage terminals in the United Kingdom — including one on the River Thames near London — and one facility in Amsterdam to the 16 European terminals it owns through its subsidiary, Inter Terminals.

Inter Pipeline CEO Christian Bayle says the addition of the coastal terminals establishes it as the largest independent storage operator in the U.K. with 12 terminals and provides an attractive entry into Amsterdam, the world's largest gasoline-blending hub.

The terminals operate as storage and blending hubs for refined products as well as the inland distribution of petroleum and petrochemical products. In Canada, IPL is in the middle of building a $3.5 billion petrochemical complex near Edmonton to convert propane into polypropylene plastic.

Bottom line

These projects and the company's diversified business model are the two strongest points to buy IPL shares now while they're trading so low and its dividend yield is touching 9%.

For some investors, the company's debt-heavy expansion could be an issue at a time when interest rates are rising, but I see these short-term risks compensating well for rewards over the long run, especially for investors who want to invest in solid and diversified energy stocks.

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hanwar