



3 Energy Stocks With Huge Plans Down the Pipeline

Description

It's been a rough week for energy stocks. The China and U.S. trade tensions have heated up a lot of sectors, but for the pipeline industry, some investors are going into panic mode.

After President Donald Trump threatened that the U.S. would hike tariffs on \$200 billion worth of Chinese goods that could more than double to 25% from 10%. China confirmed it would not walk away from trade talks, yet the news still spooked investors.

The energy sector, specifically pipelines, were no exception, as Canadian investors fear their country could be next. Yet this creates another opportunity for investors to get in on some seriously undervalued stocks that have literally decades worth of revenue firmly in hand.

Enbridge

The most obvious pick for investors should be **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). This energy distribution and transportation company pumps out most of Canada's pipeline takeaway, and that is set to increase even further with its Line 3 Replacement and Expansion project underway and set to run in the latter half of next year.

But looking even further ahead, this company has long-term contracts that go so much further than Line 3. With that approval came plans for replace and [expand even more](#) pipelines, and the company already has contracts in hand to use all of its \$16 billion fund for growth projects.

If you're impatient, you won't have to wait long for this stock to go up. In the next 12 months, analysts believe Enbridge could hit \$60 per share, which would bring it back to its fair value share price. Beyond that, you'll receive a dividend of 6.10% at the time of writing, which was just increased 10% and should continue to increase that much for the next couple of years.

Inter Pipeline

Inter Pipeline (TSX:IPL) may not have the largess of Enbridge, but it does have the longevity thanks

also to some serious long-term contracts that investors should be excited about. These contracts provide the company with stable cash flow, even when the commodity price goes down, such as it is today. That means it also has the cash on hand to continue its “overbuild strategy” to prepare for the projected oil sands production that will be needed in the not-too-distant future.

In fact, in the next 12 months, the company should grow from its current share price of around \$20 per share to \$30 per share due to its superb business management. Inter Pipeline seems to have a keen eye for distressed assets that it can buy at perfect prices, leading it to record results at the end of 2018 of \$1.1 billion in funds from operations.

Its growth hasn't cost the company much and in fact has allowed it to continue growing its dividend by 2% annually, while continuing to have a comfortable amount of distributable cash coverage. With a [dividend yield](#) of 8.03% monthly, you certainly won't be complaining while you wait for its projects to come fully into service.

Pembina Pipeline

Investors have started to get excited about **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) for a while now, leading to a share price similar to Enbridge, despite the massive size. But perhaps this is due to the sheer number of long-term contracts the company has, with most of its operations covered by them, mitigating risks associated with midstream operations.

While it's not \$16 billion, Pembina's \$3.1 billion growth portfolio for remaining projects is still massive for a company this size, and that's just into 2020. The start of that will be the expansion of phases six, seven, and eight of its Peace pipeline expansion project, which will add stable cash flow for years to come. Its Veresen acquisition also gives the company addition growth, and as the demand for hydrocarbons increases in western Canada, this company should benefit handsomely.

With all this news pushing Pembina to produce a consistent profit, investors should benefit from a further increase of its annual dividend at 5%, delivered monthly, which currently sits at 5.05% and is comfortably covered by cash. While its projects are firmly set in the future, as they come online analysts believe the stock should hit \$62 a share in the next 12 months alone.

CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

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