



3 Reasons to Buy Inter Pipeline's (TSX:IPL) Stock Near Its 52-Week Low

Description

Inter Pipeline (TSX:IPL) is having a relatively mediocre year on the stock market. While the **S&P/TSX Composite Index** has a year-to-date return that is comfortably above 10%, the energy company's year to date gain is negligible. Indeed, Inter Pipeline's share price is about the same as it was at the beginning of the year, and it isn't far from its 52-Week low. Despite this less than flattering performance, here are three reasons to buy shares of the Calgary-based company.

Dividends

Inter Pipeline is an excellent option to consider for income-oriented investors. The firm currently offers a juicy dividend yield of 8.30%. Over the past 10 years, the energy company has increased its dividend payout by more than 100%. Inter Pipeline generates enough cash to cover its dividend payments, although its payout ratio — around 80% in the last quarter — is a bit high.

Still, the firm has been able to sustain this pace, along with strong dividend increases (Inter Pipeline is currently on a streak of 10 years of consecutive dividend increases) in the past. Also, purchasing shares of Inter Pipeline gives investors the right to monthly dividend payouts.

Growth prospects

While dividends are nice, investing in a company whose earnings increases can support its dividend payments is even better. Inter Pipeline's strategy is to acquire high-quality assets that can generate stable and predictable cash flows. This strategy has worked in the past; since 2014, the firm's yearly revenues have increased by 66%, while operating income and net income have grown by 75%, and 38%, respectively. Further, Inter Pipeline's free cash flow has delivered a compound annual growth rate of 12% over the past five years.

In addition, the company is currently implementing a number of organic growth projects, including the Heartland Petrochemical Complex — the largest growth project in the company's history — which should be completed by late 2021. The Heartland facility, which will be located in Calgary, will be used to manufacture over 500,000 tons per year of recyclable plastic from propane.

Diversified operations

Though Inter Pipeline operates in Canada and Europe, the firm generates over 90% of its revenues from its domestic operations. However, don't let the name of the company fool you. While Inter Pipeline does have a pipeline business (naturally enough), it also operates within other [segments](#), including natural gas liquids (NGL) processing, and bulk liquid storage.

The company's liquid storage pipeline business, which is concentrated in Europe, has recently made some headway. During its latest reported quarter, Q1 2019, Inter Pipeline's bulk liquid storage saw a revenue increase of 42% and a funds from operations growth of 43%. While this segment still represents a small percentage of the firm's total earnings, it presents strong opportunities for the firm to expand its footprints abroad.

The bottom line

Inter Pipeline provides a juicy and growing dividend yield, as well as diversified operations and a solid growth portfolio. Now may be a good time to buy shares of the energy firm while its price is still hovering close to its 52-Week low.

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