



Why Inter Pipeline (TSX:IPL) Is the Midstream Dividend Stud You're Looking For

Description

Do you like growth and stability with your passive income? Who doesn't? Today I'll be looking at a stock that has grown its payments for 14 years, offers a substantial yield, and is [looking at some serious growth down the road](#). The stock I'm talking about is **Inter Pipeline** (TSX:IPL), and it's looking like a solid buy at the moment.

Inter Pipeline's share price started falling steeply toward the end of April on trade tension concerns, and though it's rallied a few times, the tendency is still downward. However, the upshot of this is twofold: both bullishness in international markets and oil supply bottlenecks will improve Inter Pipeline's share price, with a combination of the two having the ability to reward traders with some serious upside.

A well-valued dividend stock with growth potential

In the meantime, long-range investors with an eye for value have a stock near its 52-week low and paying an impressive 8.5% dividend yield. That's significantly high for the **TSX**, representing a doubling of payouts over the past decade. What's more, those payments are monthly, meaning that investors looking for regular spending money or a [constant drip into a TFSA](#) or RRSP have a strong play here for passive income.

Some short-term investment on the part of Inter Pipeline may have been keeping people away, and while there's a good reason why this is unjustified, it's made the stock a better value play for others. The Heartland Petrochemical Complex has taken a chunk out of Inter Pipeline's pocketbook, but over the long term, the rewards will be greatly magnified. This is why I believe that staying away is unwarranted, and why patient investors will reap the benefits along the road.

Bullish pipeline investors should focus on the positives

The pipeline company's mixed first-quarter report nevertheless highlighted that the development is proceeding on time and within budget, and should definitely be taken as a positive. From a contrarian point of view, so should any loss accrued by market impacts for the simple reason that improved

operating environment (i.e., an improved global outlook) will have a positive effect on the company's bottom line.

Inter Pipeline's CEO, Christian Bayle, commented: "During the first quarter, our oil sands transportation business continued to generate strong, stable cash flow and financial results from European storage improved meaningfully with the addition of the recently acquired U.K. and Amsterdam terminals."

Of particular note to income investors, Inter Pipeline's dividend payments also shot up \$13.5 million to \$173.9 million, compared to the same period last year. It should also be kept in mind that Inter Pipeline's oil sands transportation business didn't fare too badly compared to last year's performance, with first-quarter takings of \$147.6 million coming close to \$148.9 million over the same quarter last year.

The bottom line

In short, Inter Pipeline is looking solid on several fronts, with proven long-range ability to reward shareholders with passive income. The company is speculating to accumulate at the moment, pumping funds in the Heartland project, which will serve as a valuable source of income as well as a risk-reducing way to diversify the company's areas of operation.

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