1 Ridiculously Cheap High-Yield Stock Worth Watching

Description

Shares of **Inter Pipeline** (TSX:IPL) have fallen almost 8% in the last few months after the oil and gas crisis and trade tension concerns have continued to keep this stock from its peak performance. After climbing 16% from the beginning of the year, the stock's quarterly results have caused its share price drop back down to 2018 levels.

Its recent financial performance has investors worried that the stock can't keep up its sky-high dividend yield of 8.39%, as of writing. But analysts think investors need to dig a bit deeper and see Inter Pipeline for what it really is: a solid long-term bet.

Looking forward

Sure, if you were to look at Inter Pipeline right now, it might not seem like a great place to put all your money, but the stock has been making the right moves lately to set itself up for the long haul. The company has been making acquisitions and investments to expand its business, which has included the Heartland Petrochemical Complex. This acquisition was a fair chunk of Inter Pipeline's bottom line, but the rewards will greatly outweigh the costs for long-term holders.

While the purchase may still be keeping its quarterly results down, the project is on time for a 2021 start and within budget, which should make investors giddy. Meanwhile, its other projects continue to generate stable cash flow to bring down debt levels and support the company's dividend.

Bargain-basement valuation

While its debts are keeping this stock down, investors still don't see the big picture for Inter Pipeline, and it's keeping its share price well below its fair-value price of $24 per share. Analysts don't see the stock falling any further than where it is now, trading at about $20.65 as of writing. In fact, they believe the stock could rise to $28 per share in the next 12 months, especially if we see a rebound in oil and gas prices.

As Heartland comes online, those prices should surge. However, the company has also positioned itself to benefit from the growth in oil sands projects currently contracted in a number of areas where the pipeline operates. This increase in cash flow will only add on to the company's overall business that is underlined by 72% long-term contracts.

Foolish takeaway

Inter Pipeline still has a ways to go if it's going to win the majority of investors over. Its finances are still not great, and it still has significant debts due to its Heartland project.

However, Inter Pipeline offers investors a chance to get in before a major turnaround. As the overall oil and gas industry recovers, trade tensions pass, and Heartland comes online, the next two years should be thrilling for investors.

The stock is definitely worth watching for investors looking for cheap stocks that have the potential for a giant surge in share price. As the company continues to use its stable cash flow to pay down debts and pay out dividends, investors will likely begin warming up quickly to this undervalued stock.

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alegatewolfe