



A Rising High-Yield Stock for Your TFSA

Description

Once in a while, the market gives income investors a chance to pick up stocks paying [above-average yields](#) with a shot at some nice upside in the share price.

Let's take a look at **Inter Pipeline** (TSX:IPL) to see if it might be an interesting pick for an income portfolio today.

New rally

IPL is up 10% in the past month, surging from \$20 to \$22 per share. Long-term followers of the stock will be quick to point out that the share price is still well off the 12-month high of \$25 and the five-year high of \$39.

The recent surge might be another head fake as part of an extended slump. However, fans of the stock see the move as a sign that value investors are finally realizing IPL has solid upside potential and remains oversold.

There might be reason for the optimism.

IPL is making good progress on its \$3.5 billion Heartland Petrochemical Complex. The site is scheduled for completion by the end of 2021, and once the propane dehydrogenation and polypropylene plants are at full operation, IPL expects to generate \$450-500 million in additional annual EBITDA from the facility.

Rising interest rates, or the anticipation of higher rates, can put pressure on energy infrastructure stocks, as we saw leading into the end of last year. The trend appears to be changing, as the United States is expected to cut rates soon, and the Bank of Canada has put further rate hikes on hold. This reduces borrowing costs for companies that need to access funds to construct new assets.

Shifts in energy-market prices can have an impact on IPL's numbers, although the diversified nature of IPL's business segments means that when one division has a rough quarter, the others can help offset

the drop.

IPL's 2018 [dividend](#) payout ratio was 60%, and even though the Q1 2019 results were hit by a drop in funds flow, the distribution remained easily covered with a payout ratio of 82%.

IPL has a strong balance sheet and ample access to cash with \$1.1 billion of its \$1.5 billion revolving credit facility available as of the end of March.

Should you buy?

IPL has increased its dividend in each of the past 10 years and additional hikes should be on the way as new assets begin to generate revenue. At the very least, the existing payout appears safe and provides a yield of 7.6%.

The upside potential is attractive for this stock when sentiment improves in the energy sector, and the recent jump could be the start of an extended recovery. Otherwise, you get paid well to wait for better days.

If you have some cash sitting on the sidelines, IPL might be an interesting pick today for a buy-and-hold income portfolio.

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