



## Why Inter Pipeline (TSX:IPL) Might Be the Best Dividend Stock to Own Today

### Description

When choosing a dividend stock to invest in, it's important for investors to consider a number of different factors. While looking at payout ratios is often one of the more common items to consider, it's far from the only one, and sometimes it can provide a misleading picture.

For instance, a stock that has seen a few bad quarters or one with a lot of non-cash expenses weighing down its profits could have a very bad payout ratio, but that doesn't tell the whole story.

**Inter Pipeline Ltd** (TSX:IPL) is a good example of that. If we looked only at its payout ratio, we'd determine that the stock is a risky buy given that its earnings per share over the past 12 months have been around \$1.40, which is well short of the \$1.71 in dividends that the company pays annually.

However, Inter Pipeline is coming off a weak quarter — the lowest of the past 10 reporting periods.

And so if Inter Pipeline were to rebound and prove that its last quarter was an anomaly, its payout ratio could quickly change. As well, that's not factoring in the impact of non-cash items, which would immediately improve its financial position with respect to being able to pay dividends.

It's easy to see how quickly things can get distorted when looking at just payout ratio. After all, if Inter Pipeline was concerned about it, it likely wouldn't have increased its dividend in the past year.

That's what also makes it an appealing investment — it has developed a strong track record for increasing its payouts, meaning that investors can earn much more on their initial investment over the years if Inter Pipeline continues that trend.

### What makes Inter Pipeline stand out from the rest

It's not [dividend growth](#) or payout ratio that makes Inter Pipeline an intriguing buy. Rather, it's the fact that the stock can offer investors stability while paying a remarkably high yield.

With monthly dividend payments of \$0.1425, Inter Pipeline's yield is up to around 7.7% annually. If

that's able to remain intact, that's an excellent payout for investors and one that would be hard to beat.

While there's certainly risk investing in oil and gas, Inter Pipeline has proven to be very stable. Only once during the past 10 years has the company been unprofitable (2013).

What may come as a surprise to investors is that over the past 12 months, the stock hasn't seen any big drops in price; only once has Inter Pipeline's stock moved by 5% or more, and in that case, it was an increase.

During that time, the share price has had a standard deviation of 1.04. When compared to its average closing price of \$20.86, that's a coefficient of variation of just 5%, [which suggests a low amount of volatility in the share price](#).

## Bottom line

For an oil and gas dividend stock, Inter Pipeline is not nearly as risky as some of its peers. And with dividend growth, lots of potential upside and a high payout that might be sustainable, there are many reasons why it could be a great dividend stock to own. In fact, it may even be the best one on the TSX.

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