



The Number 1 Stock You Can Buy Right Now

Description

If there's one stock I'd buy right now, it would be **Pembina** ([TSX:PPL](#))([NYSE:PBA](#)). The \$24.8 billion energy transportation and midstream service provider is continuously working to cement its foothold in the energy industry.

Pembina has a strong balance sheet borne out of strict financial guardrails. For this reason, the company can withstand whatever storms that come to the energy market. Also, this pipeline company was able to increase dividends for eight straight years. Loyal investors could expect this trend to continue.

Growth projects

Pembina makes it a point to secure meaningful expansion projects to ensure transformational growth and increasing cash flow for several years. The company derives about 86% of total earnings from stable fee-based contracts, which is above the fixed 80% fee-based contribution target.

Pembina's performance track record speaks for itself. The company never fails to deliver projects on time and on budget. There are 11 secured large-scale growth and value chain secured projects worth \$5.5 billion under development that will run until mid-2023.

Pure income stock

To many Canadian retirees, Pembina is a quality name because of the above-average 5% dividend yield. That is [everything a retiree needs](#) from a pure income stock to achieve financial security.

Historically, Pembina was able to [increase a \\$10,000 investment](#) made 15 years ago to \$110,075. That translates to an average annual total return of about 17.34%, including the reinvestment of dividends.

New strategic acquisition

Pembina is set to capture the oil storage business in Alberta as it prepares to merge with **Kinder Morgan Canada**. The latter's mother unit in the U.S. will sell its subsidiary to Pembina for \$2.3 billion via an all-stock deal.

The total transaction amount is \$3.85 billion, including the sale of the U.S. portion of the Cochin pipeline from Kinder Morgan, which Pembina will pay \$1.55 billion in cash. The deal will give Pembina full control over the cross-border pipeline.

Pembina will gain a truckload of benefits from the strategic acquisition. The Cochin mainline consists of high-quality integrated assets. Pembina's Channahon, Bakken, and Edmonton assets connect to the fully contracted, cross-border pipeline system.

In an instant, the company's commercial platform becomes stronger with the addition of an asset base that is supported mainly by long-term, fee-for-service, take-or-pay contracts. The transaction also brings meaningful upside.

The merger enhances Pembina's diversification and future growth. Its Bakken basin connects to the Chicago area's premium quality condensate supply. Furthermore, there is a potential to integrate these assets and other identified capital projects with Pembina's existing businesses.

Pembina estimates five years after the integration, incremental run-rate adjusted EBITDA would be \$50 million with only a token capital investment. Likewise, the assets could generate an additional \$50 million of run-rate adjusted EBITDA through expansion opportunities.

Impeccable synergies

Pembina is demonstrating its objective of reducing the overall business risk. The Kinder Morgan acquisition is a perfect addition to Pembina's value chain, as it increases asset quality and enhances diversification of assets, basin, currency, and markets.

But given the potential synergies of the Cochin Pipeline System, Edmonton Terminals, and the Vancouver Wharves, Pembina would be able to implement its long-term strategy while creating shareholder value. The strategic rationale for this latest acquisition is crystal clear.

Pembina is the number one stock with a "strong buy" rating.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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