



This Stock Offers Huge Growth Prospects and a Yield Over 7%!

Description

Inter Pipeline (TSX:IPL) is often mentioned as a [great long-term investment](#) for both income- and growth-seeking investors alike. Part of that appeal stems from Inter Pipeline's incredible dividend, which currently provides an appetizing 7.04% yield with a monthly distribution and a decade of annual hikes.

Beyond that dividend, there are several other reasons why Inter Pipeline could now be *the* investment your portfolio needs.

The pipeline business continues to flow and grow

Inter Pipeline's business consists of four segments, two of which are pipeline focused. The Oil Sands Transportation segment transports over 1.2 million barrels per day of bitumen blend and diluent across a 3,300-kilometre network. The other segment is Inter Pipeline's Conventional oil pipeline segment, which transports 201,000 barrels per day across a 3,900-kilometre network.

One of the major appeals of a pipeline network is that revenue is generated from that network is based on *volume*, not on the price of the commodity being transported. In other words, Inter Pipeline continues to generate revenue irrespective of which way the volatile price of crude moves. This is a key point, particularly as increasing signs of a slowdown begin to take form across the market.

In terms of results, in the most recent quarter, the Oil Sands and Conventional oil segments reported funds from operations of \$149.7 million and \$49.6 million, respectively.

Turning to growth prospects, last month Inter Pipeline announced a \$100 million pipeline connection that will span 75 kilometres, connecting Inter Pipeline's network to the Central Alberta pipeline system. Construction is set to be completed in under a year, after which time Inter Pipeline forecasts volume of up to 15,000 barrels per day.

Is Inter Pipeline a takeover target?

Earlier this summer, Inter Pipeline confirmed that it had been approached with an offer to purchase the company, with some sources noting a \$30-per-share cash offer, which represents a healthy premium over the market price of the stock.

Since that announcement, Inter Pipeline's stock has seen a healthy uptick, but for the moment, there's no sale on the horizon, which is good news considering what the company is working on next.

Plastic polypropylene + Inter Pipeline = profits

Inter Pipeline is currently constructing a \$3.5 billion facility known as the Heartland Petrochemical complex. Once the complex is built, it will convert plentiful, locally sourced (and inexpensive) propane into polypropylene, which is a type of in-demand plastic that is used in a variety of manufacturing processes.

The complex will be the first of its kind in Canada, and Inter Pipeline has stated that the facility could boost EBITDA by \$400 million annually.

Last month, Inter Pipeline announced it was contemplating the sale of its bulk liquids business with the proceeds being used for the construction of the Heartland complex.

Should you buy?

Inter Pipeline represents an intriguing investment option that should be on the radar of nearly every investor. From the toll-road-like pipeline business to the immense potential from the rapidly rising Heartland complex, the company is well diversified and offers one of the highest-paying dividends on the market.

Investors on the fence should also note that in the most recent quarter Inter Pipeline reported record-breaking net income of \$260 million, nearly double the amount posted in the same quarter last year. While the bulk of that increase can be attributed to a one-time provision for a reduction in Alberta's corporate income tax rate, the long-term prospects for this stock are huge.

In other words, [buy it and hold it](#).

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