



Worried About Tanking Oil? This High-Yield Energy Stock Will Pay You Regardless

Description

Oil has been incredibly weak over the past 30 days, which have witnessed WTI crude fall from \$69 to just \$52. The most recent price moves come after years of weakness in petroleum products, beginning with the 2014 oil price collapse.

Although oil prices have recovered from their 2015 lows, they are nowhere near the levels witnessed before the collapse. This has led to persistent weakness in oil & gas stocks, which has driven dividend yields higher.

Of course, oil stocks that depend on strong crude to make money risk having their dividend yields cut when oil is tanking. However, that doesn't describe all oil stocks. In fact, there's one Canadian transportation, storage and refining company that's perfectly positioned to thrive in this environment.

Inter Pipeline

Inter Pipeline Ltd (TSX:IPL) is a diversified oil & gas company that's mainly focused on the midstream segment of the oil & gas industry. Its transportation business has 3,300 kilometers of pipeline that ship oil to terminals around Alberta.

Its NGL processing business has the capacity to produce 267,000 barrels of oil per day. Finally, its storage business has the capacity to store 37 million barrels of oil in Europe at any given time. This is a highly diversified business that can take a hit in any one unit and still thrive overall.

More important, Inter Pipeline's businesses do not depend too much on strong oil. The company's transportation and storage businesses make money by charging fees, leaving them less vulnerable to price swings compared to conventional oil & gas marketing companies.

Granted, severe weakness in oil would likely result in the company having to cut its fees. However, assuming just moderate weakness in oil, the IPL is better positioned to thrive than other energy

companies.

Recent results

Inter Pipeline's long-term sustainability is borne out by its long-term results. Over the last four fiscal years, the company grew its net income from \$427 million to \$595 million, which is pretty respectable growth for an oil & gas stock in this period.

The company's quarterly results have also been encouraging. In its most recent quarter, the company [grew its revenue by about 1.7%](#) and its earnings by 90% year over year. Net income was also up significantly for the six-month period ended June 30.

Income potential

Now for the juiciest thing about Inter Pipeline:

Dividend potential.

With a payout of \$.1425 per month, IPL pays out \$1.71 annually. At current prices, that gives a yield of 7.76%. With \$100,000 invested in IPL, you'd earn \$7760 per year! Not only that, but IPL's dividend has been [rising over time](#), having grown from \$0.087 in 2011 to \$0.1425 this year.

Foolish takeaway

Oil & gas stocks have not been among the best performers on the TSX in recent years. Inter Pipeline is no exception to that rule, with its shares down 33% over five years. However, the stock has a very high dividend yield and may be a good income play provided the company maintain its earnings growth.

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