



Holding This Stock is More than a Pipe Dream

Description

Inter Pipeline (TSX:IPL) remains one of the most underrated stocks on the market today. The energy infrastructure company, which has a booming business that operates across different segments and geographical regions, is investing in future growth-heavy initiatives and offers one of the best-paying monthly dividends on the market today.

Putting those pieces together you have an intriguing investment option that should be a [core holding](#) in nearly any portfolio.

Let's talk a bit about each of those points.

A booming business in different segments

Calgary-based Inter Pipeline operates under four distinct business segments. The company's pipeline network traverses over 7,800 kilometres, transporting 1.4 million barrels per day. Pipeline networks generate passive income thanks to volume-based charging.

Inter Pipeline also operates one of the largest natural gas liquids (NGL) businesses in Canada, processing over 3.3 billion cubic feet per day, which translates into a production capacity of over 240,000 barrels per day of NGL. Inter Pipeline's storage business consists of 23 terminals in Europe that collectively provide 37 million barrels of capacity.

In terms of results, in the most recent quarter Inter Pipeline reported funds from operations (FFO) of \$204 million, while net income came in at \$80 million. Across the company's business segments the oil sands transportation segment contributed \$152.5 million towards that FFO figure.

Investing in growth

While Inter Pipeline's current complement of business segments is appealing, what the company has planned for the future is what should really excite investors.

Inter Pipeline is in the process of constructing a \$3.5 billion dollar facility known as the Heartland Petrochemical Complex. Once the facility is completed in 2021, it will convert locally sourced, low-cost propane into a staggering 525,000 tonnes of polypropylene per year. Polypropylene is a type of easily transportable plastic that is used in a variety of manufacturing processes.

The Heartland Complex will be the first of its type in Canada and the largest capital investment made by Inter Pipeline. Inter Pipeline is currently forecasting that the complex will provide upwards of \$450 million of long-term annual average earnings, tax, interest, depreciation, and amortization.

One of the best dividends on the market

In addition to operating multiple profitable business segments that continue to bring in profits, Inter Pipeline also boasts an impressive monthly dividend. The current distribution provides an appetizing 7.73%, which makes Inter Pipeline one of the best-paying dividends on the market.

Adding to that appeal is the fact that Inter Pipeline's dividend has grown thanks to annual upticks going back a decade, and the payout ratio on that juicy dividend comes in at just over 70%.

Final thoughts

Inter Pipeline is a great long-term investment for nearly any type of portfolio. The company's generous monthly dividend should be on the list of any investor seeking [passive income](#), while Inter Pipeline's growing pipeline and impressive new Heartland Complex will appeal to growth seekers as well.

In short, buy it, hold it, and enjoy that dividend.

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