



3 Reasons to Add This Energy Gem to Your TFSA

Description

What do you look for in an investment? The answer to that question varies with each and every investor, but we often gravitate toward selecting stocks that offer strong long-term [growth and income-earning potential](#). Even more attractive is when that investment provides a healthy monthly income.

One such investment that ticks off all those boxes and more is **Inter Pipeline** (TSX:IPL).

Here are a few reasons why you should consider buying the stock as part of your TFSA.

A healthy business model

Inter Pipeline's business is heavily reliant on oil-rich Alberta. The company operates one of the largest pipeline networks in Canada, as well as running an impressive storage business as well as an enviable NGL-processing business.

While this makes for a well diversified stream of revenue that's attractive to any investor, the potential of Inter Pipeline's successful pipeline business is often overlooked.

In short, Inter Pipeline hauls crude to refineries and storage tanks across its network in a model that's often compared with a toll-road network. Pricing is based on the volume of product transported through the network rather than by the volatile price of crude.

In other words, the pipeline business provides a recurring stable source of revenue for the company that is both lucrative and defensive enough to attract nearly any type of investor.

That's not to say that the other business segments aren't pulling their weight, however; the NGL-processing, storage and conventional pipeline business generated 45% of the company's combined EBITDA in the most recent quarter.

An emerging lucrative new segment is coming

Inter Pipeline is in the process of building a massive \$3.7 billion complex known as the Heartland Petrochemical Complex. Once the facility is completed next year, it will be tasked with taking locally sourced, low-cost propane and converting it into a type of high-demand plastic used in a variety of manufacturing processes.

The Heartland complex will be the first of its kind in Canada, and it will replace an existing process that ships the propane out to be converted by facilities outside Canada.

In terms of potential growth, Inter Pipeline forecasts that the complex will provide upwards of \$400 million in annual EBITDA to the company once fully operational.

Impressive dividends and results

Between Inter Pipeline's impressive business and long-term growth prospects, I would be remiss if I didn't mention the resulting attractive dividend on offer. Inter Pipeline currently offers an attractive 7.61% yield provided to shareholders on a monthly cadence.

Attractive [monthly dividend stocks](#) remain somewhat of a unicorn on the market, as they typically lack the yield or stability to be feasible to most investors. In the most recent quarter, Inter Pipeline reported a payout ratio of 86.8%, which, over the course of the trailing four quarters, comes in at 76%.

In addition to the attractive payout, Inter Pipeline has also rewarded shareholders with annual bumps to that already impressive dividend. By example, over the past decade, the dividend has nearly doubled while registering a compounded annual growth rate of 6.5%.

Final thoughts

There are few investments on the market today that provide investors with both a handsome income and strong long-term growth prospects.

Inter Pipeline is an exception to that, and in my opinion, should be a core holding in nearly every portfolio. Buy it, hold it and let it grow on autopilot.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/04

Date Created

2020/01/20

Author

dafxentiou

default watermark

default watermark