



Should You Buy Inter Pipeline (TSX:IPL)?

Description

Some of the best investments on the market are those that investors tend to dismiss. **Inter Pipeline** (TSX:IPL) is an intriguing investment that is worthy of that classification. The company has generated relatively few moments of popularity recently, apart from it slashing its dividend. This does beg the question however if investors should buy Inter Pipeline?

Let's try to answer that.

Much more than a pipeline business)

One of the first things that prospective investors should know is that while Inter Pipeline does have a pipeline segment, that not everything that the company does.

That being said, the pipeline business is worth expanding on. Pipelines are incredibly great investment options. The reason for that comes down to the [stable and recurring revenue streams](#) that pipelines generate. In the case of Inter Pipeline, that pipeline spans 3,900 kilometres and transported 161,000 barrels per day of crude in 2020.

The company also has an impressive bulk liquid storage segment that is based in Europe. Collectively, terminals in Denmark and Sweden provide a total capacity of 19 million barrels.

As an energy infrastructure business, Inter Pipeline has its tentacles in multiple segments. Specifically, the company operates under four distinct segments, which include: Conventional pipelines, bulk liquid storage, oil sands transportation, and NGL processing.

Perhaps the most promising long-term initiative underway at Inter Pipeline is the Heartland Petrochemical Complex. Once completed, the \$4 billion project will take locally-sourced propane and convert it into polypropylene. Polypropylene is a type of plastic that is used in a wide variety of manufacturing processes.

The complex is expected to contribute up to \$500 million in annual EBITDA over the long-term.

Construction on the complex is set to be completed later this year, with the facility coming online in early 2022.

What about that dividend?

Inter Pipeline made headlines last year when the company slashed its once-lucrative monthly dividend by 72%. The primary reasons for the cut were attributed to the COVID-19 pandemic and the oil price war between Russia and Saudi Arabia.

Prior to the pandemic, Inter Pipeline's monthly dividend was one of the best-kept secrets on the market, with the yield providing \$0.143 per share. In terms of a yield, this worked out to being well over 7%. Fast forward to today, and that yield is a more realistic 2.65% or \$0.04 per share.

The savings on that cut are upwards of \$500 million on an annual basis, which is a great thing for Inter Pipeline's financials. Management has also been clear that a resumption in dividend hikes could occur in the future, as the environment improves.

Final thoughts

No investment is without risk. That being said, Inter Pipeline [generates a stable revenue stream](#) that is only going to improve in the future, as both market conditions and the Heartland Petrochemical Complex come online. Until that growth occurs, investors can benefit from that respectable monthly income stream. Will *you* buy Inter Pipeline now?

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