



Why More Upside Could Be on the Horizon for Inter Pipeline Shareholders

Description

Inter Pipeline (TSX:IPL) is a stock that isn't usually a headline maker. However, of late, the company has been intriguing investors with some high-profile news.

The company's core pipeline business and natural gas processing is great. However, it's not the kind of company you'd expect to see cause a tremendous amount of buzz. That said, a high-profile buying offer and a new petrochemical complex have stirred interest in this stock.

Here's my take on why this stock is an intriguing one to consider today.

A big grant provides a big catalyst

Inter Pipeline's highly anticipated proposed petrochemical plant has a new catalyst. The company recently bagged a whopping \$408 million grant from the government under the Alberta Petrochemicals Incentive Program for its \$4 billion petrochemical plant.

That's good news. Indeed, this win has struck all the right cords for Inter Pipeline shareholders of late.

One of the most important factors investors are considering is the improved balance sheet implications of this investment. Inter Pipeline now has a feasible path toward developing its petrochemical plant. This highly anticipated processing facility has been projected to provide very nice cash flow growth over time.

Accordingly, the recent bid by **Brookfield Infrastructure Partners** to acquire Inter Pipeline may need to be raised. Accordingly, investors are pricing in a higher acquisition price right now.

Analysts expect Brookfield to raise its bid for Inter Pipeline from the \$16.50 range toward \$18.25 as a result of the deal.

Investors should keep diversified operations in perspective

While many investors focus on Inter Pipelines's energy transportation assets, it's more than just a pipeline company.

Indeed, Inter Pipeline's proposed Heartland Petrochemical Complex now has legs. Additionally, the company's bulk liquids storage, NGL processing, and oil sands transportation business are others to consider.

Inter Pipeline's core business has improved along with commodity prices. While the company's dividend has come under pressure, expectations are that dividend hikes could once again resume. Additionally, a higher potential offer price from Brookfield Infrastructure is a key near-term catalyst to keep in mind.

For investors contemplating investing the Canadian pipeline space, Inter Pipeline is an intriguing option today. Its prospects are greatly improved following the recent news of its petrochemical plant grant. Additionally, I think investors will demand a higher price to offer their shares up for acquisition.

Accordingly, I'd recommend investors consider Inter Pipeline today. This company looks to be undervalued right now and could provide decent medium- to long-term growth.

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