



## Buy Pembina (TSX:PPL) Before its Inter Pipeline (TSX:IPL) Takeover

### Description

The energy sector is on a tear since November 2020. The S&P/TSX Capped Energy Index has grown a 100% since then. Not all energy stocks have grown at quite the same pace within the same time frame, but the overall aura is of recovery. The demand for oil is surging, and thanks to the combined efforts of OPEC+ countries to slash oil production, the global surplus is expected to be gone by the end of this month.

With rising demands and controlled output, the [energy sector](#) is expected to recover from the financial wounds the pandemic dealt. But the scars are likely to remain. The low demand during the pandemic instigated a lot of consolidation activity. But the deal between **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) and **Inter Pipeline** (TSX:IPL) that's about to go down trumps almost all the major deals made in the last four years in the Canadian energy sector.

### A hostile takeover averted

**Brookfield Asset Management**, one of the largest asset management firms in the country, offered to buy Inter Pipeline for \$7.1 billion (or \$16.5 a share) in February. The move was widely regarded as a hostile takeover, and the company recommended that investors (since their vote would have determined the fate of the deal) reject it, as it undervalued the company.

One reason that Inter Pipeline was vulnerable to this takeover might have been the giant petrochemical complex (Heartland) the company was building near Edmonton, Alberta. The \$4 billion project is the largest capital investment the company ever made, and it's expected to start operating in 2022. The project became a major financial vulnerability and opened Inter Pipeline up for a hostile takeover.

### A friendly takeover

Four months after Inter Pipeline fought off Brookfield's takeover, Pembina offered to buy the company for \$8.3 billion in an all-stock deal. Pembina's offer values Inter Pipeline at about \$19.45 per share, which is a premium compared to the company's current value of \$18.9 per share. Pembina will also

take over most of the debt (72%), and the rest will remain with Inter shareholders.

The deal is quite good for the shareholders as well, since they'll receive one Pembina share for two of their Inter Pipeline shares, which is a tad more than fair as per the current valuation of both companies. It's Pembina's third attempt to buy Inter Pipeline. The deal has been accepted unanimously by the boards of both companies, and they are waiting on the shareholders' vote.

The combined entity will be one of the largest players in the industry and will have 25,000 km of oil and gas pipelines under its control.

## Foolish takeaway

[Pembina stock](#) has grown over 40% in the last seven months. It's currently offering a mouthwatering yield of 6.6%. If its Inter Pipeline acquisition goes through without a hitch or regulatory issues, the company is bound to benefit from the expected recovery and future growth of the energy sector. The Heartland petrochemical complex will add significantly to the capabilities and operating "options" of the combined entity.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

### Date

2025/08/16

### Date Created

2021/06/08

### Author

---

---

adamothonman

default watermark

default watermark