



Should You Buy Pembina Pipeline Stock?

Description

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is up nearly 30% in 2021. Investors who missed the rally wonder if the stock is still a good buy.

Overview

Pembina Pipeline has grown considerably in the past 65 years through a combination of strategic acquisitions and internal projects. Today, Pembina Pipeline has a market capitalization of \$21 billion. Its vast asset base makes it one of the few midstream energy companies that can provide energy producers with end-to-end services across the sector.

Management moved quickly at the start of the pandemic to defer capital projects and raise cash to shore up the balance sheet. This set the company up to take advantage of the rebound in the energy industry while protecting the generous dividend.

Growth opportunities

Pembina Pipeline is trying to seal its deal to buy **Inter Pipeline** for \$8.3 billion. The company emerged as a white knight bidder after Inter Pipeline refused offers from **Brookfield Asset Management**. The saga is still ongoing, but Pembina Pipeline feels confident it will close the deal.

The combination with Inter Pipeline would create one of the largest [energy infrastructure](#) companies in Canada. Near-term annual synergies are expected to be \$150-200 million. The business would have \$6 billion in accretive investment opportunities.

Even if the Inter Pipeline deal doesn't close, Pembina Pipeline still has a project backlog of \$4 billion.

In addition, Pembina Pipeline is forging partnerships on a number of new development opportunities. The company has an agreement in place with a First Nations group for the development of an LNG project in British Columbia. The facility would cost US\$2.4 billion to build and primarily target Asia-

Pacific markets.

Pembina Pipeline also just announced plans to jointly develop a carbon transportation and sequestration project with **TC Energy**. The two companies will use existing assets to get a head start on the rising demand for carbon capture services in Alberta.

The facilities will help Canadian energy producers reduce greenhouse gas emissions and meet [ESG](#) targets.

Dividends

Pembina Pipeline pays a monthly dividend of \$0.21 per share. The company held the payout steady over the past year and says it intends to boost the distribution by a penny when the Inter Pipeline deal closes. In a June [update](#), the company said it will increase the distribution to 0.23 per share when the Heartland project is put into service.

Takeover potential

Pembina has a track record of being aggressive on acquisitions. The energy infrastructure industry is in a phase of consolidation and Pembina Pipeline could become a takeover target for one of the larger players in the industry or by private equity searching for reliable and attractive returns.

Should you buy Pembina Pipeline now?

Pembina Pipeline trades near \$40 per share and provides a 6.3% dividend yield. Investors who buy now can get above-average returns on the shares with solid dividend growth on the horizon as new assets are completed and go into service. The stock appears undervalued despite the strong rally off the 2020 lows.

Pembina Pipeline traded above \$53 before the pandemic. It wouldn't be a surprise to see the stock reach that level by the end of next year. A jump to \$60 would be possible on a takeover approach from a larger firm. If you are searching for a quality dividend stock to add to your portfolio Pembina Pipeline deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. 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. Investing

Date

2025/08/15

Date Created

2021/07/04

Author

aswalker

default watermark

default watermark