



1 of the Best Canadian Stocks to Watch in August

Description

Inter Pipeline (TSX:IPL) remains one of the best Canadian stocks to watch during this month. The company recently made some major announcements, including strong earnings and takeover talks. So let's look at why Motley Fool investors should add Inter Pipeline stocks to their watch list.

What happened?

In the last few weeks, a number of newsworthy [announcements](#) have been made by Inter Pipeline management. First let's look at the company's second quarter earnings report. Shares climbed as the company announced that net profit more than doubled, with revenue increasing by 30%. This was far ahead of analysts' expectations, which were around \$524.4 million in revenue. That was 3.4% lower than the \$702.9 reported by management.

But it wasn't just the strong earnings that had investors interested in Inter Pipeline over the last few weeks, though that fact alone made it one of the best Canadian stocks to buy. The company has been juggling two competing bids from **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) and **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

So what?

Pembina originally offered a deal to takeover the company for a price of \$8.3 billion. The deal was set to expire on July 27. But Pembina ended the deal, adding \$350 million to its balance sheet in the process from a termination fee from Inter Pipeline. That leaves the Brookfield deal totalling \$16 billion on the table. At almost double the Pembina deal, it might seem like an easy choice. However, Brookfield and Inter Pipeline continue to engage in talks.

While the deal was set to expire on August 6, Brookfield recently renewed the deal to August 20. So now, for more than a week, Inter Pipeline shares haven't moved beyond a few cents, around \$20 per share. This is likely because Brookfield is [looking](#) to buy at \$19.75 per share, so shares would be overvalued at this point.

What now?

Given that the deal is still up in the air, Brookfield's plans vis a vis Inter Pipeline remain uncertain. All Motley Fool investors can count on is likely more of the same in the next year or so. Brookfield may simply want to get in on a strong company ahead of a full commodity [recovery](#). Brookfield aims to secure companies that offer predictable, stable cash flows. Inter Pipeline would fit that bill in the next few years through its oil and gas services. It also offers the Heartland Petrochemical Complex, which, though completed, has yet to add much to revenue. This would be another undiscovered source of revenue for Brookfield.

Meanwhile, with all this news, Motley Fool investors can watch one of the best Canadian stocks to see what happens. When and if the deal closes, investors are likely to see a boost. You could therefore see a short-term increase in share price along with a 2.4% dividend yield. The deal likely won't be completed until the end of the year, so you can add plenty to your portfolio before then.

All of this makes Inter Pipeline stock one of the best Canadian stocks to watch in the next few weeks. There is a lot on the table for the pipeline company, so Motley Fool investors should pay close attention.

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3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:PPL (Pembina Pipeline Corporation)

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