Why Pembina Pipeline Stock Climbed 18% in 2021

Description

Pipeline company **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) had an interesting 2021. After a significant rally to 52-week highs of $44 per share, the energy giant fell back. As of writing, it's now 18% higher than it was in January of 2021. So, let's look at what happened with Pembina stock last year, and what Motley Fool investors should plan for in 2022.

2021 in review

A lot happened in 2021 for Pembina stock. But I'd say the most significant is the partnership with fellow pipeline company **TC Energy**. The pair created a partnership for a Carbon Capture Program across the Alberta Carbon Grid. This provides energy companies with a means to capture, ship, and store carbon to reduce greenhouse gas emissions.

It's one of the moves the company is making towards future revenue. That being said, Motley Fool investors shouldn't fear present revenue. While production was down, Pembina stock remained solid with long-term contracts that will see it through decades of growth. This allowed it to continue raising its dividend as well, which remains at $2.52 per share per year, or a 6.57% dividend yield as of writing.

Now, the pandemic certainly had its effects on Pembina stock, driving revenue 14.2% lower than 2020 levels during its latest quarter. But many expect demand to grow throughout 2022 and beyond. Energy demand will recover, and that will, in turn, drive higher prices. This will lead to even more growth projects for the company, of which it already has a backlog.

Looking ahead

What about 2022? Pembina stock recently gave Motley Fool investors a clue as to where it's headed in this new year. The company plans to spend $655 million as capital expenditure in 2022. This will go towards building its Phase VII and Phase IX pipelines. The rest will be spent on projects that have already come online or expansion ventures.

Furthermore, Pembina stock projects adjusted EBITDA of between $3.35 and $3.55 billion for 2022. Cash flow is expected to therefore outpace dividends and capital investment, with the first half of 2022 devoted to $200 million in surplus cash flow to repurchase shares.

Yet shares have remained fairly stagnant since last December. Even with all this good news, many may be leaving an opportunity wasted. Or at least that's what insiders might think. One insider, Jennifer Forrest, recently paid $58,000 to buy Pembina stock, increasing her holding by 19%.

Foolish takeaway

Pembina stock has a lot going for it: a dividend, steady cash flow, new projects, and a recovery year. And yet it remains incredibly cheap, trading at 1.42 times book value. It has a consensus target price of $44, representing a potential upside of 13% as of writing. While the energy company does have a recovery that remains dependent on the economy as a whole, with the pandemic still raging on, it will rebound eventually. When it does, Motley Fool investors will be glad they added it to their portfolios when they had the chance at a cheap share price.

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