



1 Big Reason to Consider This Canadian Pipeline Stock Right Now

Description

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a midstream service and transportation provider based in Canada. This company is the owner of an integrated system of pipelines that transports different natural gas products and hydrocarbon liquids produced mainly in western Canada. Also, Pembina owns natural gas liquids and oil infrastructure, logistics business, and facilities for gas gathering and processing.

Given all the concerns around energy stability given the geopolitical situation these days, pipeline operators are finally seeing some of the love they deserve. That said, on a valuation basis, there are many reasons to like companies like Pembina.

Here's yet another reason why this Canadian pipeline stock is worth a look right now.

KKR and Pembina come together in massive deal

Pembina Pipeline and KKR recently came to agreement on a rather massive \$11.4 billion deal. This deal combines the companies' western Canadian natural gas-processing assets to form a new joint venture.

Joint-venture deals can be enticing for investors due to a number of reasons. First, the combined deep pockets of these two companies provide more in the way of capital to growth this business. Secondly, a joint venture can be a more efficient vehicle for long-term growth, particularly in capital-intensive businesses.

How this joint venture will be structured is interesting. In addition to the aforementioned asset combination, this joint venture will acquire specific interests held by Energy Transfer LP. The total value of the assets under construction is an approximate \$11.4 billion. For Pembina, a company currently valued at [\\$26 billion](#), this is a big deal.

Essentially, Pembina is looking at upstream operations as a way of vertically integrating its business model. Some of these assets that will be rolled into the joint venture include a B.C. basin with

considerable gas reserves. Given where the price of gas is trading at today, this is a big deal.

Overall, I think there's a lot to like about this partnership. Pembina's status as an integrated energy player just improved. Accordingly, it's no surprise to see this stock taking off toward all-time highs recently.

Bottom line

Despite having a stock price that's increased more than 25% over the past year, Pembina is a pipeline company with a valuation that still sits around [23 times earnings](#). Thus, this is a stock that was always cheap but remains great value for long-term investors.

I don't think Pembina's run is done yet. Far from it. This company has tremendous growth potential and excellent fundamentals. Finding such a company in this market isn't easy to do. Accordingly, investors may want to do a deep dive into Pembina right now.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:PPL (Pembina Pipeline Corporation)

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