

SECURITY ANALYSIS OF PEMBINA PIPELINE CORP.

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1. Introduction

Pembina Pipeline is a North American transportation and midstream service provider (Pembina, 2013). It was founded in 1954 when the Pembina Pipeline system was built, and its headquarters are in Calgary, Canada. In 1997, Pembina went public by issuing stocks at the Toronto Stock Exchange and converted to a trust. Later in 2010, it transformed from a trust to a corporation.

Pembina Pipeline can be divided into four segments: conventional pipelines, oil sands & heavy oil gas services, and midstream (Pembina, n.d.-a). Pembina began its operation with the conventional pipeline in 1954, and expanded its business to satisfy the increasing demands of producers in Alberta and British Columbia. Its conventional pipelines reach 7,850 km, which transport about half of conventional crude oil production in Alberta and almost all of the conventional oil and gas condensate products generated in BC (Pembina, 2013). Furthermore, Pembina has an increasing influence in Alberta's oil sands and oil gas industry. It owns approximately 1,650 km of oil sands pipelines which undertake almost one third of the Athabasca oil sands region at the end of 2011 (Pembina, n.d.-a). Pembina's midstream is organized into crude oil and natural gas liquids (NGL). The business of crude oil is located at key sites throughout its operation. Its operations also include NGL midstream, which comprises the Redwater West operating system and the Empress East operating system. Pembina's growing natural gas services are provided to gather and process natural gas. For example, the Cutbank complex, which includes three sweet gas processing plants and a new ethane extraction facility, is one of its processing businesses (Pembina, 2013).

2. Macroeconomic Review

2.1 Geographic

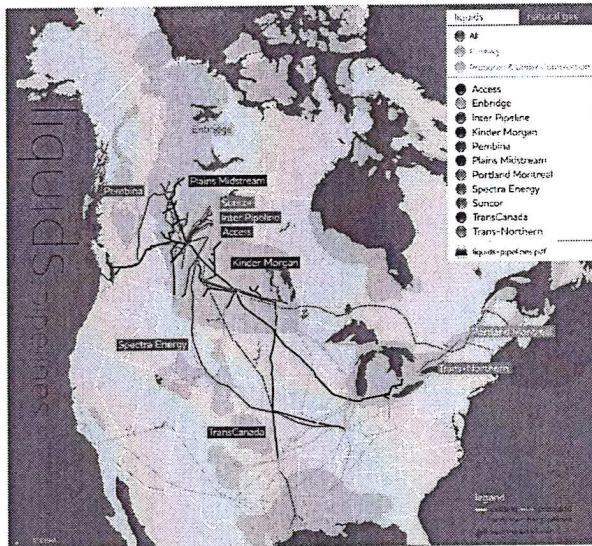


Figure 1. The distribution of liquids pipelines in North America. (CEPA, n.d.-b)

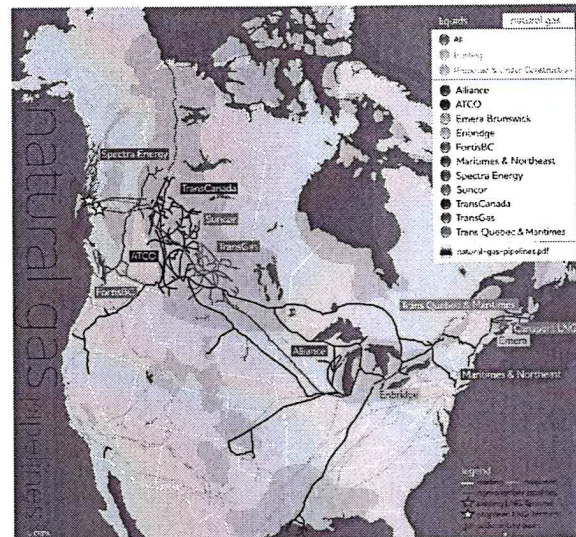


Figure 2. The distribution of natural gas pipelines in North America. (CEPA, n.d.-c)

Figure 1 and 2 demonstrate the distribution of liquids pipelines and natural gas pipelines in North America (n.d.). The distribution of both pipelines is similar to each other, and they both concentrated in Alberta, Canada. The southwest of North America is lack of pipelines to ship liquids and natural gas.

2.2 Policy

Pipeline industry, transport for liquids and natural gas, is heavily regulated across the world. There are several government agencies established to make sure safety, security and environment protection of pipelines. In Canada, those agencies are divided into two parts: provincial regulators and federal regulators that include National Energy Board (NEB), Natural Resource Canada, Fisheries and Oceans Canada and Canadian Environmental Assessment Agency (Northerngateway, 2011). Moreover, National Energy Board takes the primary authority in monitoring and controlling pipeline systems that cross provincial or international boundaries. It restricts the design, quality of resources, structure, and operations and maintenance of building pipelines. The strict regulation system constructs high entering barriers for companies who want to access pipeline industry.

2.3 Technology

Small leak in pipeline not only reduces the profit a company can gain, but also expands risks of operation. Several innovations and proposals have been made to reduce the potential risk of pipeline leaking. For example, Experts want to enhance the pipeline leak detection by combined tiny sensors that located in regular intervals along a structure with “crystal balls” (CEPA, 2013). The crystal balls are digital sensors that located outside pipelines to detect the presence of hydrocarbons in soil (CEPA, 2013). Therefore, if leak occurs, the sensors will detect it and wirelessly send data about the leak’s location to pipeline operators to solve the problem immediately. Furthermore, a requirement of extreme amounts of compression is need to transform the oil and gas through pipelines. So, to increase the pressure, a high amount of compression stations should be built at intervals to keep the flow moving (STI, 2013).

2.4 Social

Canadian Companies form memberships and are organized around Canadian energy pipeline association (CEPA). CEPA represents Canada’s transmission pipeline companies who operate more than 130,000 km of pipeline in Canada and the United States (CEPA, n.d.-a). Its members transport virtually all of Canada’s daily crude oil and natural gas across North America. In addition, there is another large association named the Association of Oil Pipe Lines (AOPL) that represents the benefits of owners and operators of United States’ crude oil (AOPL, n.d.). The members of AOPL acquired about 85% of the crude oil and refined petroleum products progressed by pipelines in the United States (AOPL, n.d.). The members in these associations can help to tackle challenges or threats they faced.

3. Relevant Stock Market Prospects

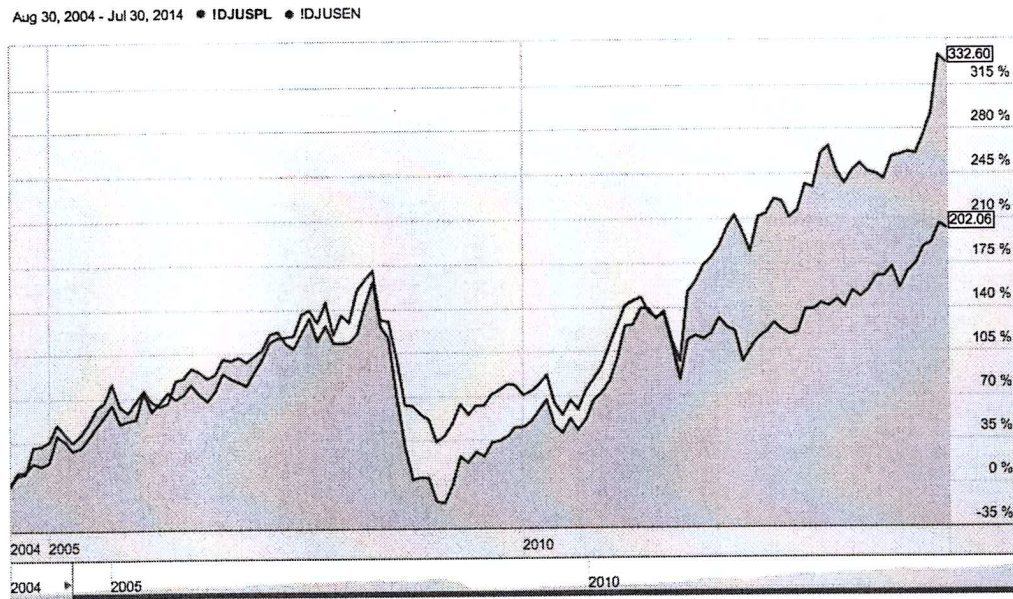


Figure 3. The stock comparison between Dow Jones Pipeline Index and Dow Jones Oil and Gas Index. (Microsoft, 2014)

According to figure 3 (2014), there was a similar changing trend of Dow Jones Pipeline Index and Dow Jones Oil and Gas Index. After an increase between 2004 and 2008, a significant decline occurred in the stock price of both pipeline index and oil and gas index due to a decreasing usage of most natural gas pipelines (NEB, 2008). Until 2009, the stock prices began to rise. However, the stock price change of oil and gas is less steep than the alteration of pipelines, and the pipeline index stock price exceeded the stock price of oil and gas index in September 2011. Currently, pipeline index grows to \$1,022.55 compared with \$804.66 in oil and gas index. In addition, the recent activities in expanding pipelines help Canada's biggest energy companies get higher prices for oil, leaving a bull market for options (Lam, 2014). Based on an announcement of Uplenchwar of Global Hunter Securities, the stability in crude prices benefits producers better in predicting cash flow, which may lead to more share buybacks and dividends. (Lam, 2014). Therefore, the stock price of pipelines can be predicted as increasing for the following years.

4. Review of the Company and Its Business

4.1 Industry analysis

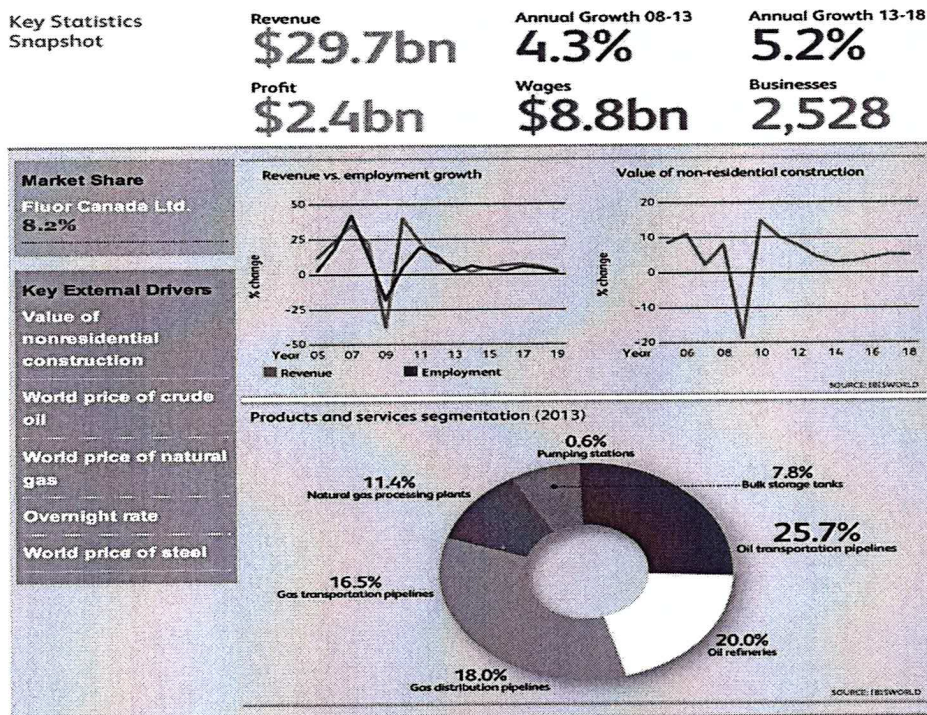


Figure 4. Industry at a glance. (Yang, 2013)

Figure 4 illustrates the industry's current revenue, profits, annual growth rate from 2008 to 2013, wage rates and other key statistics to recognize the current situation of pipeline industry (Yang, 2013). From figure 4 (2013), the revenue vs. employment growth remains constant in between 0 and 25% during last 3 years. Moreover, the value of non-residential construction is stable around the level of 5% change per year. In addition, the products and service segmentation of oil and gas pipeline industries includes natural gas processing plants, gas transportation pipelines, gas distribution pipelines, oil transportation pipelines, oil refineries and two other segments (Yang, 2013).

4.1.1 Industry Outlook

According to NEB's Canadian Pipeline Transportation System Assessment, additional capacity is soon needed to accommodate growing supply and provide greater market flexibility (2008). It can be testified by the increasing number of announced and proposed pipelines and expansions to both existing markets and new markets. In 2012, three new pipeline network proposals have been put forward to transport bitumen from the Athabasca oil sands to consumers such as refineries or move to export terminals (Rosenthal, 2012). The requirement of increasing the capability of Canadian oil pipelines is caused by a growing consumption in oil sands production and high-level demand in the

United States (NEB, 2008). The pipeline industry wants to add capacity to alleviate the intense condition of short supply.

Unlike crude oil, there is adequate capacity on existing natural gas pipelines and other NEB-regulated gas pipelines (NEB, 2008). However, due to the recession, pipeline use declined for most natural gas pipelines in 2007, and resulted in reduced flows on pipelines transporting gas from western Canada (NEB, 2008). From Mark Carney’s perspective, a former governor of the Bank of Canada, “emerging markets represent the greater opportunity for Canadian exporters. Since the recession, these economies have accounted for roughly two-thirds of global economic growth and one-half of the growth in global imports”(Carney, 2012, “Emerging-Market Opportunity”). Therefore, it is critical to develop new pipelines in order to explore new markets for Canadian oil and gas (CAPP, 2014). Another reason to develop new pipelines associates with new energy. Since new energies appear, the supply of new energy requires new export markets; in other words, it requires new pipeline to transfer the energies. Also, the industry must continue to make massive investment in pipelines to achieve cost competitive infrastructure (CAPP, 2014).

4.1.2 Industry structure

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Very high	Technology Change	Medium
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalisation	Low
Concentration Level	Low	Competition Level	Medium

Figure 5. *Industry Structure*. (Yang, 2013)

The current life cycle of the oil and gas pipeline industry is at a mature stage based on figure 5 (Yang, 2013). The volatility of revenue is very high, which interprets a high risk for investment in the pipeline industry.

4.1.3 Business model

The business model of pipeline can be related to the business model of oil and gas industry or petroleum industry, which is usually divided into three major factors: upstream, midstream and downstream (PASC, n.d.).

The upstream industry is an operational stage that involves exploring and producing oil and natural gas. Thereby, it is also commonly known as the exploration and production (E&P) sector (PASC, n.d.). Since Alberta produces more than four-fifth of Canada’s oil and gas production, the primary upstream businesses are located in Alberta (PASC, n.d.). Especially, many companies, such as Pembina pipeline and Inter pipeline, are headquartered in Calgary.

The midstream segment undertakes activities between the production and refining (Pan, 2013). It

processes, stores, markets and transports commodities such as crude oil, natural gas, NGL and sulphur (PASC, n.d.). It links the far-flung petroleum producing areas with end terminals where consumers are highly concentrated. In Canada, the transmission pipeline companies are an important part of the midstream of the oil and gas industry (PASC, n.d.). Most of these companies are established in Calgary as well, even though their activities spread to United States and other countries (PASC, n.d.).

The oil refineries, petrochemical plants, petroleum products distributors, retail outlets and other distributors compose the downstream petroleum industry (PASC, n.d.). Compare with upstream and midstream companies, although many downstream companies locate their head offices in Calgary, the largest centres of activity are near Sarnia, Ontario, and Edmonton, Alberta (PASC, n.d.).

Most large oil companies are known as integrations, since they combine upstream activities with midstream and downstream operations (Investopedia, n.d.).

4.1.4. Porter's Five Forces

Bargaining Power of Suppliers / Buyers

The bargaining power of suppliers is relatively low compare to the power of buyers. Buyer power is high because there are variety of alternative carriers such as railways, trucking and water. As a result, buyers display some countervailing power to demand concessions from pipeline companies. Supplier power is relatively low because of the intensive competition between pipeline companies. However, the high switching cost gives suppliers some power to eliminate the influence of severe competition.

Threat of New Entrants

Barriers to entry are extremely high in this industry because of high capital costs, scale of economies, existence of major companies and restrict government regulations. Thus, threats come from new entries are very low. Precisely, large amount of initial cash outflows is asked to construct a pipeline infrastructure. Besides, the leading companies take the majority of market shares of the industry; hence, they have absolute advantages in costs and they are able to set prices to forbidden new entrants, which reduce the initial marginal earnings of those who want to access pipeline industry.

Threat of Substitute Products and Services

Since there are many substitutes that customers can choose rather than pipeline, the threat of substitutes is high. Comparing with other industries like railways, pipelines are uncompetitive in time flexibility in conveying oil sands. For instance, according to CEPA, oil sands move through a

pipeline at speeds of approximately 5 kilometres per hour while it can speed up to 129 kilometres per hour via railways (University of Alberta, 2013).

Competitive Rivalry within the Industry

According to IBISWorld, (Yang, 2013), competition in this industry is medium and the trend is steady, since industry operators provide specialized services and face minimal external competition. However, the exit barriers for the existing companies are high, which may aggregate the battle in the industry.

4.2 Company specific analysis

4.2.1 Stock Price

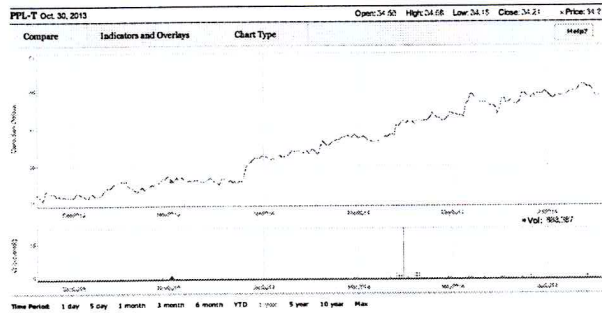


Figure 6. *Stock price of Pembina Pipeline for 1 year. (The Globe and Mail Inc., n.d.-a)*



Figure 7. *Stock price of Pembina Pipeline for 5 years. (The Globe and Mail Inc., n.d.-b)*



Figure 8. *Stock price of Pembina Pipeline for 10 years. (The Globe and Mail Inc., n.d.-c)*

From the three graphs of stock prices (Figure 6, 7 & 8), the market value of Pembina pipeline Corporation is gradual increasing. The rate of change is in an increasing trend as well. As stated in Pembina's corporate profile, it can be predicted that the corporation will be moving forward as one of Canada's largest energy infrastructure companies (Pembina, 2013).

4.2.2 Business

Pembina's integrated businesses generate value for their customers and investors through safe, reliable, cost-effective and environmentally responsible operations (Pembina, n.d.-b).

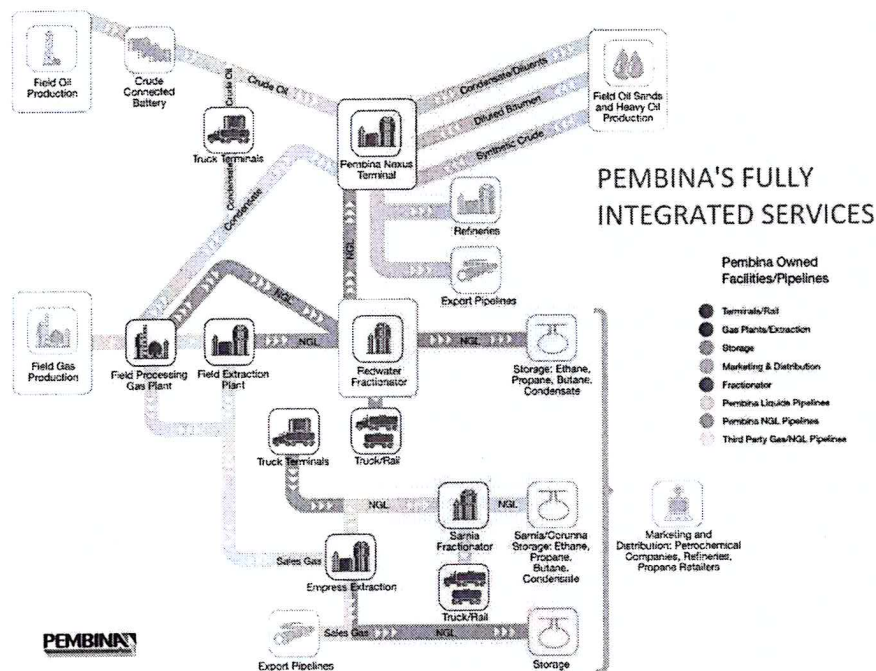


Figure 9. *Pembina's fully integrated services.* (Pembina, n.d. -c)

Figure 9 demonstrates all services that Pembina offered (n.d. -c). Those services contain field processing gas plant, field extraction plant, empress extraction and storage; etc..

Conventional Pipelines

The widespread network of conventional pipelines that Pembina operates enables it to offer reliable, cost-effective service in the oil and natural gas producing regions of both Alberta and British Columbia (BC). Pembina owns eight pipeline systems. NEBC or Western System is a north-south line that across BC and it is the only system that primarily located in BC province. The other pipeline systems intersect with each other, which generates many important locations, like Swan Hills, Edmonton and Fort St. John Taylor.

Oil Sands & Heavy Oil

Pembina takes a significant market shares in Alberta's oil sands industry. It already operated six

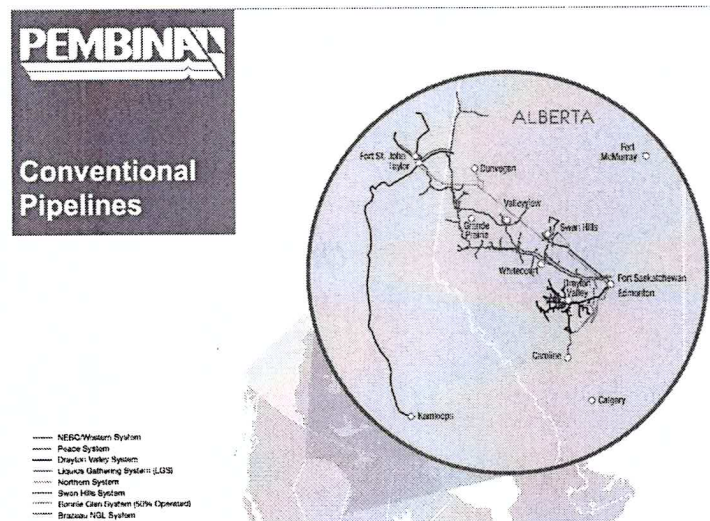


Figure 10. *Conventional pipelines.* (Pembina, n.d. -d)

pipelines to carry oil sands or heavy oil (Pembina, n.d.-e). The pipelines are approximately 1,650 kilometers, which is capable of taking away percent of the total transform from the Athabasca oil sands region (Pembina, n.d.-b). The Syncrude pipeline and the Horizon pipeline transports crude oil to the markets near Edmonton (Pembina, n.d.-e). From figure 11 (Pembina, n.d. -e), Pembina also services oil sands producers operating southwest of Fort McMurray with the Peace pipeline.

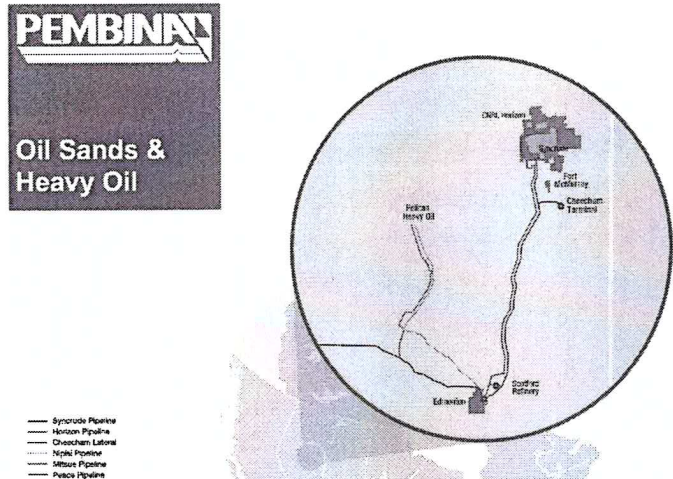


Figure 11. *Oil Sands & Heavy Oil.* (Pembina, n.d.-e)

Gas Services

Figure 9 (n.d.-c) shows Pembina offers a service associated with gathering and processing natural gas. Moreover, collection and management of NGL takes a large proportion of its business. Gas Services provides gas gathering, compression, shallow and deep cut processing services for its customers, and primarily requires both a fee-for-service and signing long-term contracts (Pembina, n.d.-b). The NGL extricated via the listing processes are transported on Pembina's Conventional Pipelines. Besides, there are two proposed gas service pipelines. It indicates Pembina's plan in expending emerging market to reduce the risk or disadvantage in positioning at a mature state in life cycle.

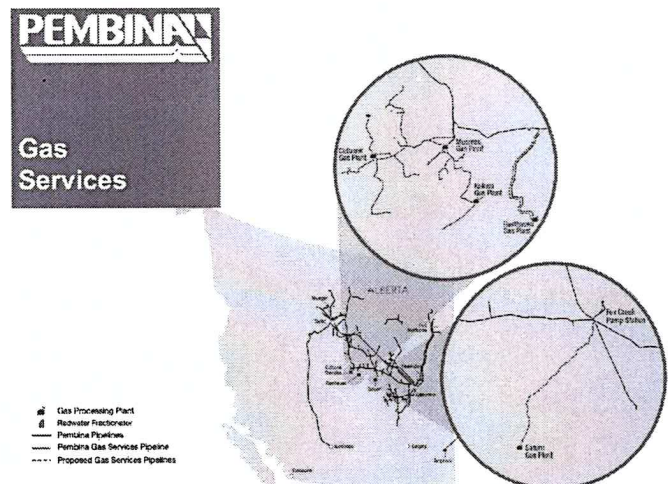


Figure 12. *Gas services.* (Pembina, n.d. -f)

Midstream

Pembina's Midstream business is organized into two categories: crude oil and NGL (Pembina, n.d.-b). The crude oil segment contains a key infrastructure called the Pembina Nexus Terminal (Pembina, 2013). It enables Pembina to create tailored products and services while facilitating growth opportunities for other businesses of the corporation. The NGL segment can be further divided as two large operating systems: Redwater West and Empress East. The Redwater West

NGL system comprises with three parts: 1) the Younger extraction and fractionation facility in BC; 2) a 73,000 bpd fractionator, 6.3 million barrels of cavern storage and terminal facilities at Redwater, Alberta; and, 3) third party fractionation capacity in Fort Saskatchewan, Alberta (Pembina, 2013). In comparison, the Empress East NGL system involves a 2.1 bcf/d interest in the straddle plants at Empress, Alberta; and a 20,000 bpd of fractionation capacity, 6.4 million barrels of cavern storage in Sarnia, Ontario (Pembina 2013).

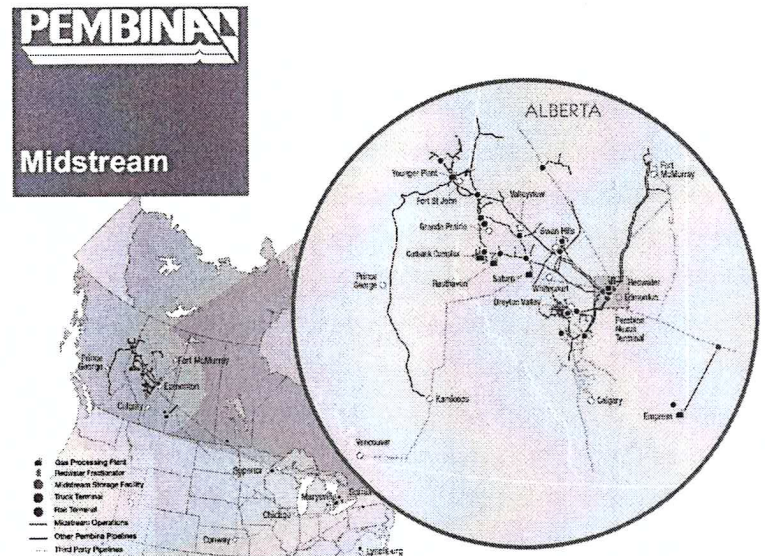


Figure 13. *Midstream.* (Pembina, n.d.-g)

4.2.3 Strategies

The key aspect of Pembina's business strategy is to generate value for its investors. For example, it is aiming to become more attractive to investors who are willing to receive higher monthly dividends while remaining long-term investment to enhance the value of its securities (Pembina, n.d.-h).

Several approaches or requirements have been implemented by Pembina to allocate more benefits for its investors. First of all, business services that are provided to its customers should be cost-effective and reliable (Pembina, n.d.-h). Second, diversify its asset base to reduce risks and in order to enhance profitability (Pembina, n.d.-h). Additionally, exploring new operations in a safe and environmentally responsible manner (Pembina, n.d.-h). Finally, financial management should be prudent to maintain a strong financial statement (Pembina, n.d.-h).

4.2.4 SWOT Analysis

The following table lists a brief summary about the SWOT analysis correlated with Pembina Pipeline Corporation, which is created by Advisorgate SWOT.com.

Strength	Weakness
➤ barriers of market entry	➤ future profitability
➤ high growth rate	➤ small business units
➤ skilled workforce	➤ high loan rates are possible
➤ monetary assistance provided	➤ future competition

Opportunities <ul style="list-style-type: none"> ➤ venture capital ➤ growth rates and profitability ➤ growing demand 	Treats <ul style="list-style-type: none"> ➤ rising cost of raw materials ➤ unexpected problems ➤ increasing rates of interest ➤ external business risks ➤ growing competition and lower profitability ➤ government regulations
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Table 1. *Pembina Pipeline - SWOT analysis*. (Advisorgate, 2013)

4.3 Future prospects

Industry Prospects

After the global financial crisis, areas of the world have been working diligently to increase growth and strengthen economies. According to Earl Sweet, Bank of Montreal Managing Director of Economic Research, a major issue for mainly Canadian producers and some United States producers is an insufficient pipeline capacity to satisfy the increased oil production (Pipelines International, 2012). As a consequence, the oil and gas pipeline constriction industry is predicted to continue to grow (Yang, 2013). Notwithstanding the increasing investments, Canada still lacks pipeline infrastructures across the country that are able to link the oil fields in Western Canada with downstream pipeline industries located in Eastern Canada (Yang, 2013).

Therefore, oil and gas extraction activity, such as the Northwest Territories, is anticipated to alleviate the negative influence of lacking in infrastructure in different regions (Yang, 2013). Since a construction of new pipelines bolster export volume, domestic oil and gas prices are estimated to steadily increase over few years as well (Yang, 2013). Because of the growing price, it is projects by IBISWorld that industry revenue will grow annually at a rate slightly above 5% in the five years to 2018 (Yang, 2013). Moreover, a slowdown in the growing trend of revenue would be temporary, because storage facilities and processing plants are essential to tackle rising oil and gas productions (Yang, 2013). Hence, oil and gas infrastructure construction activities are expected to pick up as domestic production grows (Yang, 2013).

Firm prospects

According to Robert B. Michaleski who is the chief executive officer of Pembina Pipeline Corporation, there will be a bright future of the company (Pembina, 2013). Michaleski declared Pembina as a truly integrated energy infrastructure company with the scale and scope necessary to meet the rising demand of North America's oil and gas industry (Pembina, 2013). To be more

specific, Pembina has the capability to present a stronger balance sheet, collect more robust cash flow as well as enhance the ability to strategically pursue larger and more complex growth projects. Moreover, the 'pipeline' of projects would continue to expand as demand grows across all of Pembina's business lines (Pembina, 2013).

4.4 Financial summary

The financial & operation overview (Figure 1 in Appendix) discloses the calculated data that represents the performance during first quarter in 2014 and 2013. It shows an increase in revenue from 1,249 million to 1,759 million during the first quarter of 2013 and 2014, respectively. Net revenue rose to \$447 million in 2014 from \$315 million in 2013. This increase was due to strong performance in each of Pembina's businesses, particularly in the Company's Midstream business, as well as returns on new capital investments including the Saturn I Facility and Phase I Conventional Pipelines expansions (Pembina, 2014). Additionally, as the same reason as increase in net income, operating margin totalled \$350 million recently, up 46 percent from the same period last year. Furthermore, operating expenses were increase by \$ 22 million in 2014 related to \$77 million in 2013. The change was primarily due to higher variable costs of labour expenditure which was led by growth in volumes along with having new facilities and expansions in-service (Pembina, 2014). The following gross profit reaches to \$350 million which increases nearly half of the gross profit in 2013. Depreciation and amortization included in operations increased to \$52 million in 2014, 10 million higher than in 2013. Pembina incurred general and administrative expenses with corporate depreciation and amortization of \$37 million during the first quarter of 2014, which is a slightly higher than \$33 million during the first quarter of 2013. This increase is primarily because of the addition of new employees and consultants as a result of Pembina's growth since the prior period as well as increased short-term and share-based incentive expenses (Pembina, 2014). Every \$1 change in share price is expected to change Pembina's annual share-based incentive expense by approximately \$1 million. Finally, net finance costs in the first quarter of 2014 were \$61 million compete with \$51 million in 2013.

5. Financial Analysis

5.1 Historical evaluation

Based on the stock analysis in page 10, the market value of Pembina Pipeline Corporation is continuously increasing as its stock price is growing over years. Therefore, in general, the company performs well for the past years.

Figure 2 in appendix represents the quarterly and annually data that associated with Pembina's financial and operating for 2011 and 2012. These data indicates that Pembina was in a state toward a competitive corporation. It is obviously that a significant growth occurred during the fourth quarter of 2012, from \$468.1 to \$1,265.7. Consolidated quarterly operating margin during September to December, 2012 increased to \$222.1 million compared to \$105.9 million in 2011 for the same period. Annual operating margin amount to \$676.2 million compared to \$417.1 million in 2011. Both the 2012 fourth quarter and full year operating margin were the highest in the Company's history till 2012 (Pembina, 2013). The Company's fourth quarter earnings were about \$81 million (\$0.28 per share) in 2012, and it was only \$45 million (\$0.27 per share) for 2011. Full year earnings were \$165.7 million (\$0.99 per share) in 2011, while it became \$225 million (\$0.87 per share) in 2012. These increases in earnings were because of expansion of business, such as acquisition. The slightly decrease in market per share also caused by issuing new shares to acquire new pipeline or companies (Pembina, 2013). Moreover, cash flow from operating activities was \$139.5 million (\$0.48 per share) compared to \$73.8 million (\$0.44 per share) during the fourth quarter of 2012 and 2011; the full year operational cash flow was \$359.8 million (\$1.39 per share), which is more than \$285.5 million in 2011. The increased cash flow was somewhat offset by acquisition-related expenses, higher interest expenses and an increase in working capital with the integration of Provident (Pembina, 2013).

Following are the historical analysis and evaluation for the four segments of Pembina's business based on its basic financial and operating data from 2010 to 2013.

Conventional pipelines

Pembina's conventional pipeline is developing dramatically. Its average throughput and revenue were constantly growing during last few years (according to Figure 14 & 15). However, there was a decline in its gross profit in 2011 by about \$5 million, which might due to a high depreciation and amortization. The depreciation and amortization included in operations rose from \$8.4 million in 2010 to \$44 million in 2012; while in 2013, it decreased to \$12 million. The increase in depreciation caused by capital additions in this business unit and a reduction in expected useful

lives on certain of Pembina's Conventional Pipelines assets in B.C (Pembina, 2012). During 2013, a re-measurement of the decommissioning provision in excess of the carrying amount of the related asset, which resulted in a credit to depreciation expense (Pembina 2014-a). There was an unrealized loss on commodity-related derivative financial instruments of \$9 million in 2012. It is a result of Pembina's forward fixed-price power purchase program which is designed to mitigate operating costs fluctuations (Pembina, 2014-a). Generally, Pembina performed well in conventional pipeline of pursuing numerous crude oil, condensate and NGL expansions on its Conventional Pipelines systems to accommodate increased customer demand and address constrained pipeline capacity in several areas of the WCSB (Pembina, 2014-a).

Conventional Pipelines

(\$ millions, except where noted)	3 Months Ended		12 Months Ended	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Revenue	75.9	68.5	296.2	261.6
Operations	35.6	26.0	119.1	92.5
Operating margin ⁽¹⁾	40.3	42.5	177.1	169.1
Depreciation and amortization included in operations	11.1	7.0	41.6	28.4
Gross profit	29.2	35.5	135.5	140.7
Capital expenditures	24.3	13.2	71.3	28.8
Average throughput (thousands of bpd)	422.8	375.0	413.9	374.0
Average revenue (\$/bbl)	1.83	1.85	1.84	1.79
Operating expenses (\$/bbl)	0.86	0.71	0.74	0.64

⁽¹⁾ Refer to "Non-GAAP Measures" on page 33.

Figure 14. *Conventional Pipelines*. (Pembina, 2012)

Conventional Pipelines

(\$ millions, except where noted)	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
	2013	2012	2013	2012
Average throughput (mbpd)	500	480	492	456
Revenue	111	99	411	339
Operating expenses	52	42	162	130
Realized gain on commodity-related derivative financial instruments		1	2	
Operating margin ⁽¹⁾	59	58	251	209
Depreciation and amortization included in operations	6	8	12	44
Unrealized (loss) gain on commodity-related derivative financial instruments	(1)	1	1	(9)
Gross profit	52	51	240	156
Capital expenditures	126	88	325	187

⁽¹⁾ Refer to "Non-GAAP and Additional GAAP Measures."

Figure 15. *Conventional Pipelines*. (Pembina, 2014-a)

Oil sands & heavy oil

Oil Sands & Heavy Oil

(\$ millions, except where noted)	3 Months Ended		12 Months Ended	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Revenue	39.6	30.8	134.9	118.4
Operations	12.4	10.9	44.1	40.2
Operating margin ⁽¹⁾	27.2	19.9	90.8	78.2
Depreciation and amortization included in operations	5.0	5.9	12.8	22.7
Gross profit	22.2	14.0	78.0	55.5
Capital expenditures	47.9	77.4	191.8	115.6
Capacity under contract (thousands of bpd)	870.0	775.0	870.0	775.0

⁽¹⁾ Refer to "Non-GAAP Measures" on page 33.

Figure 16. *Oil sand & heavy oil*. (Pembina, 2012)

Oil Sands & Heavy Oil

(\$ millions, except where noted)	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
	2013	2012	2013	2012
Contracted capacity, end of period (mbpd)	880	870	880	870
Revenue	52	46	195	172
Operating expenses	19	16	64	55
Operating margin ⁽¹⁾	33	30	131	117
Depreciation and amortization included in operations	2	5	17	20
Gross profit	31	25	114	97
Capital expenditures	5	18	38	30

⁽¹⁾ Refer to "Non-GAAP and Additional GAAP Measures."

Figure 17. *Oil sand & heavy oil*. (Pembina, 2014-a)

The oil sands & heavy oil business realized rising revenue and gross profit as figure 16 and figure 17 illustrate. Moreover, other elements increased as well along with growing revenue. For example, the operating margin that Pembina generated arrived to \$131million in 2013 from \$78.2 in 2010. It was clearly shown that the capital expenditures declined dramatically from \$191.8 to \$ 30 during 2011 and 2012, since the Nipisi and Mitsue Pipeline projects were completed, and only needed post-construction clean-up expenditures and the construction of additional pump stations on these pipelines (Pembina, 2013).

Gas services

Gas Services

(\$ millions, except where noted)	3 Months Ended		12 Months Ended	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Revenue	19.1	15.7	71.5	61.5
Operations	6.1	4.3	22.4	18.4
Operating margin ⁽¹⁾	13.0	11.4	49.1	43.1
Depreciation and amortization included in operations	2.6	2.1	9.9	8.4
Gross profit	10.4	9.3	39.2	34.7
Capital expenditures	66.4	23.1	136.5	33.5
Average processing volume (MMcf/d net to Pembina)	263.9	227.8	244.5	220.5
Average BOE (thousands)	44.0	38.0	40.8	36.8

⁽¹⁾ Refer to "Non-GAAP Measures" on page 33.

Figure 18. *Gas services*. (Pembina, 2012)

Gas Services

(\$ millions, except where noted)	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
	2013	2012	2013	2012
Average volume processed (MMcf/d) net to Pembina ⁽¹⁾	397	276	319	275
Average volume processed (mboe/d) ⁽²⁾ net to Pembina	66	46	53	46
Revenue	33	23	121	88
Operating expenses	12	9	43	29
Operating margin ⁽³⁾	21	14	78	59
Depreciation and amortization included in operations	7	4	20	15
Gross profit	14	10	58	44
Capital expenditures	56	77	258	163

⁽¹⁾ Volumes at Musreau exclude deep cut processing as those volumes are counted when they are processed through the shallow cut portion of the plant.

⁽²⁾ Average volume processed converted to mboe/d from MMcf/d at a 6:1 ratio.

⁽³⁾ Refer to "Non-GAAP and Additional GAAP Measures."

Figure 19. *Gas services*. (Pembina, 2014-a)

Pembina was also adding its influence of gas service as well. First of all, there was a strong success in its Saturn I facility (Pembina, 2014-a). New volumes from the Saturn I Facility were placed into service along with sustained activity by producers in the surrounding areas (Pembina, 2013), which increased average volume processed for those years. In addition, Pembina also put many effort in completing and enhancing its facilities. Therefore, capital expenditures were relatively high in both 2011 and 2013.

Midstream

Midstream & Marketing

(\$ millions)	3 Months Ended		12 Months Ended	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Revenue	333.4	175.2	1,174.1	790.7
Operations	1.5	1.1	8.7	4.7
Product purchases	308.2	161.7	1,072.1	735.2
Operating margin ⁽¹⁾	23.7	12.4	93.3	50.8
Depreciation and amortization included in operations	0.9	0.5	3.7	2.1
Gross profit	22.8	11.9	89.6	48.7
Capital expenditures	3.6	13.9	110.6	22.0

⁽¹⁾ Refer to "Non-GAAP Measures" on page 33.

Figure 20. *Midstream & Marketing*. (Pembina, 2012)

Midstream

(\$ millions, except where noted)	3 Months Ended		12 Months Ended	
	December 31 (unaudited)	December 31	December 31 ⁽¹⁾	December 31
	2013	2012	2013	2012
NGL sales volume (mbpd)	122	116	109	98
Revenue	1,117	1,103	4,347	2,847
Cost of goods sold, including product purchases	933	974	3,767	2,494
Net revenue ⁽²⁾	184	129	580	353
Operating expenses	19	20	91	60
Realized gain (loss) on commodity-related derivative financial instruments	(3)	10	(3)	(5)
Operating margin ⁽²⁾	162	119	486	288
Depreciation and amortization included in operations	27	31	114	95
Unrealized gain (loss) on commodity-related derivative financial instruments	3	(3)	6	45
Gross profit	138	85	378	238
Capital expenditures	87	77	254	204

⁽¹⁾ Share of profit from equity accounted investees not included in these results.

⁽²⁾ Refer to "Non-GAAP and Additional GAAP Measures."

Figure 21. *Midstream*. (Pembina, 2014-a)

There was massive revenue that Pembina received from its midstream business, and it was the highest compare with revenue collected from other three businesses. Gross profit increased rapidly from \$48.7 to \$378, which was almost eight times larger. However, it still companied with high capital expenditures. The cost in capital assets rose above 12 times, from \$22 to \$254.

In general, approximately all great gaps in changes occurred during 2011 and 2012. The reason for that might be the acquisition of Provident Energy Ltd. In 2012, Pembina announced the proposed acquisition and completed the acquisition in the same year during April (Pembina, 2013). This acquisition is not only significant to Pembina Pipeline Corporation, since it became a leading player in the North American energy infrastructure sector, but also important to the stock market

as the company began trading on the New York Stock Exchange as “PBA” (Pembina, 2014-a).

5.2 Current earnings power estimate

Pembina’s earning power is increasing with the year pass with the analysis of its financial statements.

Earnings per share

Earnings attributable to common shareholders

Year Ended December 31 (\$ millions)	2013	2012
Earnings	351	225
Dividends on preferred shares	(5)	
Cumulative dividends on preferred shares, not yet declared	(2)	
Earnings contributable to common shareholders (basic and diluted)	344	225

Weighted average number of common shares

(In thousands of shares, except as noted)	2013	2012
Issued common shares at January 1	293,226	167,908
Effect of shares issued	8,781	87,243
Effect of share options exercised	350	185
Effect of conversion of convertible debentures	83	9
Effect of shares issued under dividend reinvestment plan	4,771	3,524
Weighted average number of common shares at December 31 (basic)	307,211	258,869
Dilutive effect of share options on issue	870	614
Weighted average number of common shares at December 31 (diluted)	308,081	259,483
Basic and diluted earnings per common share (dollars)	\$1.12	\$0.87

Figure 22. *Earnings attributable to common shareholders & weighted average number of common shares.* (Pembina, 2014-b)

The earnings recognised to shareholder is \$351 million, and the total comprehensive income attributed to shareholders is about \$369 million, both earnings increases dramatically. Moreover, the earnings attributable to common shareholders is \$344 million at December, 2013, and the weighted average number of common share at about \$307 million, which means that the basic earnings per common share (EPS) is \$1.12 (\$344/\$307). The adjusted or diluted EPS is as the same as basic earnings per share, but divided with the adjusted weighted average number of common shares a \$308 million. The EPS is increased compare with in December, 2012. The average earnings per share growth rate (without non-recurring items) is 28.60% during 2013 (Gurufocus, n.d.).

Revenue / gross profit and earnings before income tax (EBIT)

According to the consolidated statements of earnings and comprehensive income (Appendix Figure 4), the revenue generated in 2013 is about \$5,025 million, increased about fifty percent compared with \$3,427 in the end of 2012; while there is an increasing rate for gross profit at 50 percent as well, from \$538 million to \$793 million. The EBIT also rises from \$300 million to \$494 million, with a growth rate above 60 percent.

5.3 Other financial analysis

Analysis of statements of financial position

The total asset list in the financial position for 2013 is increased to \$9,142 million, with an approximately \$30 million decrease in total liabilities and an increase of \$858 in equity. Growth in current asset is primarily due to the change in trade receivable from others and increasing inventory. Pembina's accounts receivable from its customers increased to \$419 million from \$313 during one year period. However, its prepayment is about \$15, which is only about 3% of the accounts receivable. Even though it may indicate that Pembina has built strong relationships with its customers, a high amount of accounts receivable still increase the default risk. Total liabilities decreases due to a drop in the long-term loans and borrowing in non-current liabilities. Nonetheless, the current liabilities increase also because of the change in loans and borrowing. It demonstrates that Pembina operates its business somehow based on issuing debt. Lastly, the main difference in equity is a \$391 million preferred share capital at December 31, 2013.

Analysis of cash flow

The cash inflow at the year ended December 31, 2013 is \$51 million less than the \$27 million in the previous year. Cash flow from operating activities increases as a rise in earnings for this year. There are intense cash flow changes in the sector of financial activities. First, there is a large amount of loan and borrowing repayments for \$649 million occurred in its cash flow statements. Furthermore, issuance of common share and preferred shares declared with amounts of \$345 million and \$400 million, respectively. Besides, Pembina still put plenty cash into investing activities.

Dividend

From Pembina's dividend history, the dividend payment is stable and continuously increasing. Here shows the dividend payment for 2013.

2013 DIVIDENDS

Record Date	Payment Date	Dividend per share
Tuesday, December 31, 2013	Wednesday, January 15, 2014	\$0.14
Monday, November 25, 2013	Friday, December 13, 2013	\$0.14
Friday, October 25, 2013	Friday, November 15, 2013	\$0.14
Wednesday, September 25, 2013	Tuesday, October 15, 2013	\$0.14
Sunday, August 25, 2013	Friday, September 13, 2013	\$0.14
Thursday, July 25, 2013	Thursday, August 15, 2013	\$0.135
Tuesday, June 25, 2013	Monday, July 15, 2013	\$0.135
Saturday, May 25, 2013	Friday, June 14, 2013	\$0.135
Thursday, April 25, 2013	Wednesday, May 15, 2013	\$0.135
Monday, March 25, 2013	Monday, April 15, 2013	\$0.135
Monday, February 25, 2013	Friday, March 15, 2013	\$0.135
Friday, January 25, 2013	Friday, February 15, 2013	\$0.135
Total 2013 Dividends		\$1.645

Figure 23. 2013 dividends. (Pembina, 2014)

6. Financial Projections

6.1 Listing of principal assumptions

According to Pembina's corporate update file, the company's principal assumptions are list below:

- Pembina is one of the industry leader
- Pembina has a solid business platform
- There is a strong demand for their services
- Pembina is stand at a well position in the market for growth

6.2 Projected data

Pembina would continuous its superior performance in market based on the market performing Pembina made in 2013, since Pembina was the strongest performing Canadian energy infrastructure stock in 2013, with a significant outperformance of both the composite index (+25%) and average peer performance (+20%) (Pembina, 2014).

As illustrate in figure 25, Pembina has a strong financial performance, which predicts a potential growth in its financial performance for following years.

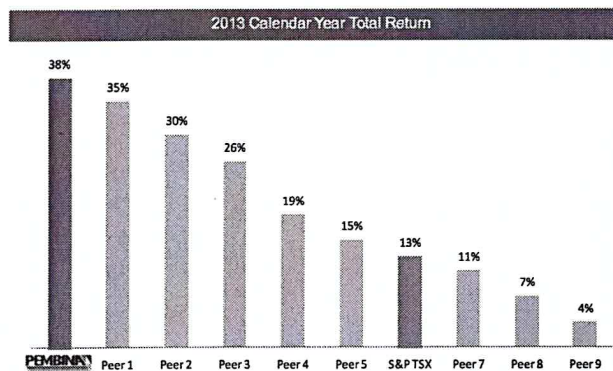


Figure 24. 2013 calendar year total return.
(Pembina, 2014)

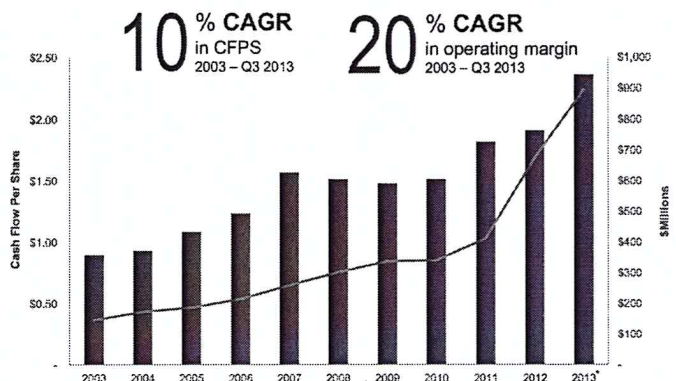


Figure 25. 2013 calendar year financial performance. (Pembina, 2014)

7. Recommendation

7.1 Comparison of analyst's valuation to market price of the stock

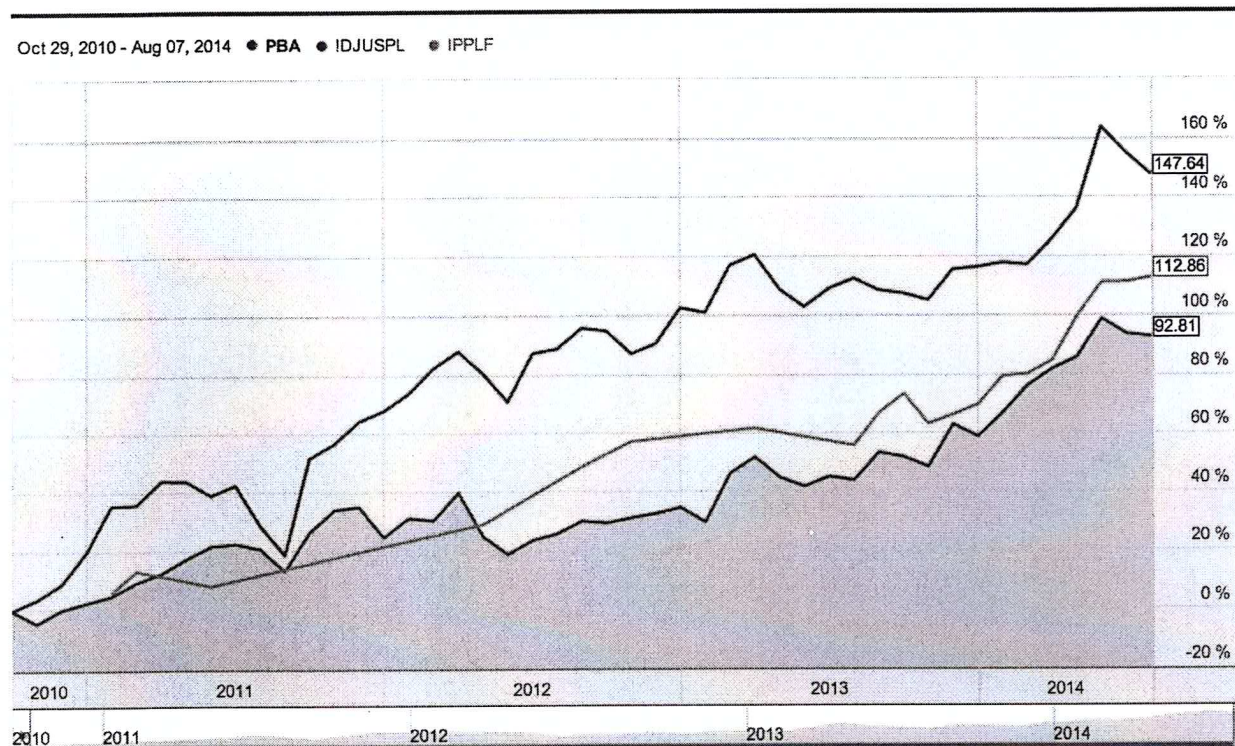


Figure 26. Stock price comparison between Pembina Pipeline Corporation, Inter Pipeline and Dow Jones US Pipeline Index. (Microsoft, 2014)

In the New York exchange market, the stock prices of both Pembina and Inter are change toward an increasing trend, which is similar to Dow Jones US pipeline Index. However, the change rates of these two companies are both lower than that of Dow Jones US pipeline Index. Also, the stock price of Inter Pipeline lies above Pembina for the last three years. Therefore, the stock is not that attractive in United State exchange markets.

However, the stock price trade in Canadian stock market (figure 27) shows that PPL is more preferable than IPL during the recent one year period, since its change rate and prices all above those of Inter pipeline.

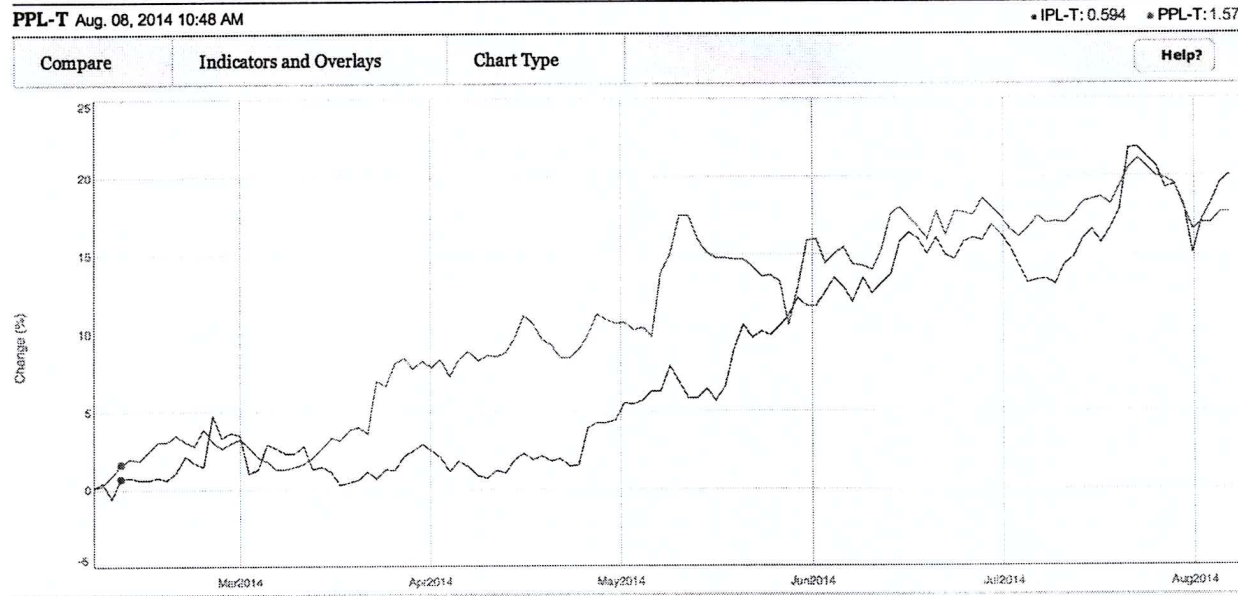


Figure 27. *Stock price comparison between Pembina Pipeline Corporation and Inter Pipeline.*
(The Globe and Mail, 2014)

7.2 Recommended investment decision

Investors are recommended of considering purchasing Pembina Pipeline Corporation's stocks. Here lists some general reasons:

1. Stock price is continuously increasing, and have competitive advantages than other companies, such as IPL in Canadian stock market.
2. Dividend payment is increasing, and seems to continuous the increasing trend, which predicted a good future about the company.
3. Pembina's business strategy is intended to provide highly competitive and reliable returns to investors. Therefore, Pembina is focusing on investor's interest.
4. The earning power of Pembina is increasing significantly, and can be predicted to continuous due to various investments Pembina made to consolidate its performance.

In conclusion, pipeline industry in Canada is at a stage of grow and mature. In addition, the development prospect of Pembina is full of hope.

Appendix

Figure 1: 2013-2014 Financial & Operating Overview
Financial & Operating Overview

	3 Months Ended March 31	
(\$ millions, except where noted)	2014	2013
Conventional Pipelines throughput (mbpd)	553	494
Oil Sands & Heavy Oil contracted capacity (mbpd)	880	870
Gas Services average volume processed (mboe/d) net to Pembina ⁽¹⁾	88	50
Midstream NGL sales volume (mbpd)	133	123
Total volume (mbpd)	1,654	1,537
Revenue	1,759	1,249
Cost of goods sold, including product purchases	1,312	934
Net revenue ⁽²⁾	447	315
Operating expenses	95	77
Realized (loss) gain on commodity-related derivative financial instruments	(2)	2
Operating margin ⁽²⁾	350	240
Depreciation and amortization included in operations	52	42
Unrealized gain on commodity-related derivative financial instruments	4	6
Gross profit	302	204
Deduct		
General and administrative expenses	37	33
Other expenses (income)	1	(1)
Net finance costs	61	51
Current tax expense	34	4
Deferred tax expense	22	26
Earnings	147	91
Earnings per common share – basic (dollars)	0.44	0.30
Earnings per common share – diluted (dollars)	0.41	0.30
EBITDA ⁽²⁾	316	211
Cash flow from operating activities	261	232
Cash flow from operating activities per common share – basic (dollars) ⁽²⁾	0.82	0.78
Adjusted cash flow from operating activities ⁽²⁾	264	202
Adjusted cash flow from operating activities per common share – basic (dollars) ⁽²⁾	0.83	0.68
Common share dividends declared	134	121
Dividends per common share (dollars)	0.42	0.41
Preferred share dividends declared	6	
Capital expenditures	287	137
Total enterprise value (\$ billions) ⁽²⁾	16	12
Total assets (\$ billions)	9	8

⁽¹⁾ Gas Services average volume processed converted to mboe/d from MMcf/d at 6:1 ratio.

⁽²⁾ Refer to "Non-GAAP and Additional GAAP Measures."

Note. From 2014 interim report, Pembina Pipeline Corporation.

Figure 2: 2011 – 2012 Financial & Operating Overview

Financial & Operating Overview

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
(\$ millions, except where noted)	2012	2011	2012	2011
Average throughput – Conventional Pipelines (mbpd)	480.2	422.8	456.3	413.9
Contracted capacity – Oil Sands & Heavy Oil (mbpd)	870.0	870.0	870.0	870.0
Average processing volume – Gas Services (mboe/d) net to Pembina ⁽¹⁾	46.0	45.3	45.9	42.3
NGL sales volume – NGL Midstream (mbpd)	115.8		97.7 ⁽³⁾	
Revenue	1,265.7	468.1	3,427.4	1,676.0
Operations	86.0	55.1	271.6	191.9
Cost of goods sold, including product purchases	968.6	308.0	2,475.0	1,072.3
Realized gain (loss) on commodity-related derivative financial instruments	11.0	0.9	(4.6)	5.3
Operating margin ⁽²⁾	222.1	105.9	676.2	417.1
Depreciation and amortization included in operations	47.8	19.6	173.6	68.0
Unrealized gain (loss) on commodity-related derivative financial instruments	(2.2)	0.9	36.1	5.2
Gross profit	172.1	87.2	538.7	354.3
Deduct/(add)				
General and administrative expenses	27.3	21.0	97.5	62.2
Acquisition-related and other expense	0.5	0.8	24.7	1.4
Net finance costs	35.7	22.1	115.1	91.9
Share of loss (profit) of investments in equity accounted investee, net of tax	0.2	(1.5)	1.1	(5.8)
Income tax expense (reduction)	27.1	(0.2)	75.3	38.9
Earnings for the period	81.3	45.0	225.0	165.7
Earnings per share – basic and diluted (dollars)	0.28	0.27	0.87	0.99
Adjusted earnings ⁽²⁾	115.8	43.7	283.7	208.9
Adjusted earnings per share ⁽²⁾	0.40	0.26	1.10	1.25
Adjusted EBITDA ⁽²⁾	199.0	88.2	590.1	368.6
Cash flow from operating activities	139.5	73.8	359.8	285.5
Cash flow from operating activities per share	0.48	0.44	1.39	1.71
Adjusted cash flow from operating activities ⁽²⁾	172.3	66.0	493.8	305.8
Adjusted cash flow from operating activities per share ⁽²⁾	0.59	0.39	1.91	1.83
Dividends declared	118.4	65.4	417.6	261.2
Dividends per common share (dollars)	0.41	0.39	1.61	1.56
Capital expenditures	254.7	148.9	584.3	527.6
Total enterprise value (\$ billions) ⁽²⁾	11.0	6.6	11.0	6.6
Total assets (\$ billions)	8.3	3.3	8.3	3.3

⁽¹⁾ Gas Services processing volumes converted to mboe/d from MMcf/d at 6:1 ratio.

⁽²⁾ Refer to "Non-GAAP Measures."

⁽³⁾ Represents per day volumes since the closing of the Acquisition.

Note. From 2012 annual report, Pembina Pipeline Corporation.

Figure 3: Consolidated statements of financial position (unaudited)

Pembina Pipeline Corporation

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited)

(\$ millions)	Note	March 31 2014	December 31 2013
Assets			
Current assets			
Cash and cash equivalents		153	51
Trade receivables and other		432	434
Derivative financial instruments	11	9	4
Inventory		135	159
		729	648
Non-current assets			
Property, plant and equipment	4	6,041	5,750
Intangible assets and goodwill		2,551	2,564
Investments in equity accounted investees		165	165
Deferred tax assets		12	15
		8,769	8,494
Total Assets		9,498	9,142
Liabilities and Shareholders' Equity			
Current liabilities			
Trade payables and accrued liabilities		460	461
Taxes payable		26	38
Dividends payable		45	44
Loans and borrowings	5	262	262
Derivative financial instruments	11	16	13
		809	818
Non-current liabilities			
Loans and borrowings	5	1,360	1,409
Convertible debentures	6	521	604
Derivative financial instruments	11	107	107
Employee benefits, share-based payments and other		23	25
Provisions	7	338	309
Deferred tax liabilities		717	699
		3,066	3,153
Total Liabilities		3,875	3,971
Equity			
Equity attributable to shareholders of the Company			
Common share capital	8	6,172	5,972
Preferred share capital	8	636	391
Deficit		(1,182)	(1,189)
Accumulated other comprehensive income		(8)	(8)
		5,618	5,166
Non-controlling interest		5	5
Total Equity		5,623	5,171
Total Liabilities and Equity		9,498	9,142

Note. From 2014 interim report, Pembina Pipeline Corporation.

Figure 3: Consolidated statements of financial position

Pembina Pipeline Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 (\$ millions)	Note	2013	2012
Assets			
Current assets			
Cash and cash equivalents		51	27
Trade receivables and other	6	434	335
Derivative financial instruments	22	4	8
Inventory		159	108
		648	478
Non-current assets			
Property, plant and equipment	7	5,750	5,014
Intangible assets and goodwill	8	2,564	2,623
Investments in equity accounted investees	9	165	161
Deferred tax assets	10	15	8
		8,494	7,806
Total Assets		9,142	8,284
Liabilities and Shareholders' Equity			
Current liabilities			
Trade payables and accrued liabilities	11	461	345
Taxes payable		38	
Dividends payable		44	39
Loans and borrowings	12	262	12
Derivative financial instruments	22	13	16
		818	412
Non-current liabilities			
Loans and borrowings	12	1,409	1,933
Convertible debentures	13	604	610
Derivative financial instruments	22	107	52
Employee benefits, share-based payments and other		25	49
Provisions	14	309	361
Deferred tax liabilities	10	699	592
		3,153	3,597
Total Liabilities		3,971	4,009
Equity			
Equity attributable to shareholders of the Company			
Common share capital	15	5,972	5,324
Preferred share capital	15	391	
Deficit		(1,189)	(1,028)
Accumulated other comprehensive income		(8)	(26)
		5,166	4,270
Non-controlling interest	27	5	5
Total Equity		5,171	4,275
Total Liabilities and Equity		9,142	8,284

Note. From 2013 financial statement, Pembina Pipeline Corporation.

Figure 4: Consolidated statements of earnings and comprehensive income

Pembina Pipeline Corporation

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

Year Ended December 31 (\$ millions, except per share amounts)	Note	2013	2012
Revenue	18	5,025	3,427
Cost of sales		4,238	2,920
Gain on commodity-related derivative financial instruments		6	31
Gross profit	18	793	538
General and administrative		132	97
Acquisition-related and other expense		1	26
		133	123
Results from operating activities		660	415
Net finance costs	17	166	115
Earnings before income tax		494	300
Current tax expense	10	38	
Deferred tax expense	10	105	75
Income tax expense		143	75
Earnings for the year attributable to shareholders		351	225
Other comprehensive income (loss) that will never be reclassified to earnings			
Remeasurements of defined benefit liability		24	(15)
Related tax		(6)	4
Other comprehensive income (loss), net of tax	20	18	(11)
Total comprehensive income attributable to shareholders		369	214
Earnings per common share			
Basic and diluted earnings per common share (dollars)	19	1.12	0.87

Note. From 2013 financial statement, Pembina Pipeline Corporation.

Figure 5: Consolidated statements of earnings and comprehensive income (unaudited)

Pembina Pipeline Corporation

CONDENSED CONSOLIDATED INTERIM STATEMENT OF EARNINGS AND COMPREHENSIVE
INCOME
(unaudited)

3 Months Ended March 31			
(\$ millions, except per share amounts)	Note	2014	2013
Revenue		1,759	1,249
Cost of sales		1,459	1,053
Gain on commodity-related derivative financial instruments		2	8
Gross profit		302	204
General and administrative		37	33
Other expense (income)		1	(1)
		38	32
Results from operating activities		264	172
Net finance costs	9	61	51
Earnings before income tax		203	121
Current tax expense		34	4
Deferred tax expense		22	26
Income tax expense		56	30
Earnings and total comprehensive income for the period attributable to shareholders		147	91
Earnings per common share (dollars)			
Basic		0.44	0.30
Diluted		0.41	0.30
Weighted average number of common shares (millions)			
Basic		319	296
Diluted		340	297

Note. From 2014 interim report, Pembina Pipeline Corporation.

Figure 6: Consolidated statements of cash flows

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (\$ millions)	Note	2013	2012
Cash provided by (used in)			
Operating activities			
Earnings for the year		351	225
Adjustments for			
Depreciation and amortization		171	180
Unrealized gain on commodity-related derivative financial instruments		(7)	(36)
Net finance costs	17	166	115
Deferred income tax expense	10	105	75
Share-based payments expense	21	34	17
Other		2	(5)
Changes in non-cash working capital		(75)	(110)
Payments from equity accounted investees		19	17
Net interest paid	17	(115)	(118)
Cash flow from operating activities		651	360
Financing activities			
Bank borrowings		170	6
Repayment of loans and borrowings		(649)	(61)
Issuance of debt		200	450
Issuance of common shares		345	
Issuance of preferred shares		400	
Financing fees		(29)	(7)
Exercise of stock options		17	7
Dividends paid (net of shares issued under the dividend reinvestment plan)		(221)	(181)
Cash flow from financing activities		233	214
Investing activities			
Capital expenditures		(880)	(584)
Changes in non-cash investing working capital and other		33	37
Contributions to equity accounted investees		(13)	(8)
Cash acquired on Acquisition	27		9
Cash flow used in investing activities		(860)	(546)
Change in cash		24	28
Cash (bank indebtedness), beginning of year		27	(1)
Cash and cash equivalents end of year		51	27

Note. From 2013 financial statement, Pembina Pipeline Corporation.

Figure 7: Consolidated statements of cash flows (unaudited)

Pembina Pipeline Corporation

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(unaudited)

3 Months Ended March 31 (\$ millions)	Note	2014	2013
Cash provided by (used in)			
Operating activities			
Earnings for the period		147	91
Adjustments for			
Depreciation and amortization		54	43
Unrealized gain on commodity-related derivative financial instruments		(4)	(6)
Net finance costs	9	61	51
Current tax expense		34	4
Deferred tax expense		22	26
Share-based compensation expense		10	9
Change in non-cash operating working capital		(7)	17
Payments from equity accounted investees and other			5
Net interest paid		(11)	(8)
Taxes paid		(45)	
Cash flow from operating activities		261	232
Financing activities			
Repayment of loans and borrowings		(50)	(325)
Issuance of common shares			345
Issuance of preferred shares		250	
Financing fees		(8)	(16)
Exercise of stock options		4	3
Dividends paid (net of shares issued under the dividend reinvestment plan)		(62)	(52)
Cash flow from financing activities		134	(45)
Investing activities			
Capital expenditures		(287)	(137)
Changes in non-cash investing working capital and other		(1)	(24)
Interest paid during construction		(4)	(2)
Proceeds from sale of assets		1	
Contributions to equity accounted investees		(2)	(5)
Cash flow used in investing activities		(293)	(168)
Change in cash		102	19
Cash, beginning of period		51	27
Cash and cash equivalents end of period		153	46

Note. From 2014 interim report, Pembina Pipeline Corporation.

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