



This “Boring” Stock Now Yields 3.9%

Description

~~pipeline bigger~~ Look, if you want to invest in exotic technology companies to impress your friends at the next cocktail party, then dividend investing isn't for you.

But if you prefer owning good, solid businesses that produce reliable profits and dividends, then you'll like this strategy just fine.

Case in point: **Pembina Pipeline** ([TSX: PPL](#)).

Even if you have never heard of this firm, Pembina's business is vital to all of our daily lives. The company owns 10,000 kilometres of oil and gas pipelines — enough to cross the entire country. Without the commodities Pembina ships through its network, our modern society would come crashing to a halt.

That means Pembina sees consistent demand for its services. Almost all of the company's business is fee-based, largely insulating its profits from volatile oil and gas prices. Like a bridge or highway operator, Pembina simply charges a toll for every barrel of oil or gas that flows through its network.

While this business model would put adrenalin junkies to sleep, it has been a profitable formula for investors. Since 1997, Pembina has distributed \$2.8 billion — a remarkable amount of cash that shows management is dedicated to lining shareholders' pockets. Over the past decade the company has increased that distribution more than 60%, and today the stock yields 3.9%.

But that's nothing compared to what could be coming next. Thanks to the energy boom we're seeing across the continent, the amount of oil and gas being pulled out of the ground today is only a fraction of what we'll likely see in the coming years.

According to estimates from the Canadian Association of Petroleum Producers, oil sands production is expected to more than double to 4.8 million barrels per day by 2030. This doesn't include the potential of emerging shale plays like the Duvernay and the Torquay.

Firms that collect, ship, and store all of these hydrocarbons are poised to make a fortune. Pembina is

positioned to do exactly that. The company has a staggering \$4.5 billion in secured expansion projects — about 30% of its current market capitalization — on its books. That includes thousands of miles of new pipelines, processing plants, and storage facilities.

And Pembina has one extra advantage over its rivals: location. **TransCanada's** ([TSX: TRP](#))([NYSE: TRP](#)) Keystone XL pipeline remains in regulatory limbo while it awaits approval from the U.S. State Department. The **Enbridge** ([TSX: ENB](#))([NYSE: ENB](#)) Northern Gateway pipeline also faces resistance from First Nation groups and environmentalists.

However, because Pembina is based mostly in Alberta, the company only has to deal with one regulator. This is starting to attract investors who are becoming wary of regulatory risks.

The bottom line is that Pembina is a wonderful business with a growing dividend. No, owning this stock won't impress any friends around the water cooler. But for investors who are willing to trade excitement for profits, this is an excellent addition to any income portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)
5. TSX:TRP (TC Energy Corporation)

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