



3 of the Best Mid-Cap Energy Stocks Money Can Buy

Description

The energy sector has become one of the most tempting sectors for dividend investors in 2016, because as energy stocks have fallen alongside commodity prices over the last year, their yields have risen. However, we must be very selective, because numerous energy companies have been forced to reduce or eliminate their dividends entirely in recent months, because they did not have the cash flows to support their payments.

I've scoured the industry and selected three mid-cap stocks with high and safe yields of 3-8%, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Gibson Energy Inc.

Gibson Energy Inc. ([TSX:GEI](#)) is one of the largest independent midstream energy companies in North America, and its services include terminalling, storage, blending, processing, marketing, and distribution of crude oil, condensate, natural gas liquids, and refined products. It currently pays a quarterly dividend of \$0.33 per share, or \$1.32 per share annually, which gives its stock a yield of about 7.2% at today's levels.

It is also important for investors to make two notes.

First, Gibson has raised its annual dividend payment for four consecutive years, and its 3.1% hike on March 1 has it on pace for 2016 to mark the fifth consecutive year with an increase.

Second, the company's distributable cash flow totaled \$219.5 million and its dividend payments totaled \$161 million in fiscal 2015, resulting in a 73.3% payout ratio, so its dividend is very safe and its 3.1% hike in March was warranted.

2. Inter Pipeline Ltd.

Inter Pipeline Ltd. ([TSX:IPL](#)) is one of the leading providers of petroleum transportation, bulk liquid storage, and natural gas liquids extraction services in Canada and Europe. It currently pays a monthly dividend of \$0.13 per share, or \$1.56 per share annually, which gives its stock a yield of about 6.1% at

today's levels.

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First, Inter Pipeline has raised its annual dividend payment for seven consecutive years, and its 6.1% hike in November 2015 has it on pace for 2016 to mark the eighth consecutive year with an increase.

Second, the company's funds from operations attributable to shareholders totaled \$733.1 million and its dividend payments totaled \$497.1 million in fiscal 2015, resulting in a 67.8% payout ratio, so its dividend is very safe and could be raised in the very near future.

3. Keyera Corp.

Keyera Corp. ([TSX:KEY](#)) is one of the largest independent midstream energy companies in Canada, and its services include natural gas gathering and processing, natural gas liquids fractionation, transportation, and storage, and iso-octane production and sales. It currently pays a monthly dividend of \$0.125 per share, or \$1.50 per share annually, which gives its stock a yield of about 3.8% at today's levels.

It is also important for investors to make two notes.

First, Keyera has raised its annual dividend payment for five consecutive years, and its recent increases, including its 8.7% hike in August 2015, has it on pace for 2016 to mark the sixth consecutive year with an increase.

Second, the company's distributable cash flow totaled \$482.1 million and its dividend payments totaled \$240.7 million in fiscal 2015, resulting in a 49.9% payout ratio, so its dividend is very safe and could be raised within the next few months.

Should you buy one of these energy stocks today?

Gibson Energy, Inter Pipeline, and Keyera are three of the best mid-cap energy stocks money can buy. All Foolish investors should strongly consider making one of them a core holding today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:GEI (Gibson Energy Inc.)
2. TSX:KEY (Keyera Corp.)

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