



2 Midstream Energy Stocks With Yields up to 7.3%

Description

If you're interested in buying a high-yielding energy stocks with exposure to oil and natural gas, but also want to minimize your risk, then midstream energy stocks are for you. Midstream energy companies provide services such as processing, transporting, and storing oil, natural gas, and natural gas liquids, and most of these services involve long-term contracts that are fee-based, which means they are not directly impacted by the day-to-day fluctuations in commodity prices.

With all of this being said, let's take a look at two of the best midstream energy stocks that you could buy today.

1. Gibson Energy Inc.

Gibson Energy Inc. ([TSX:GEI](#)) is one of North America's largest independent midstream energy companies. Its services include the transportation, storage, blending, processing, marketing, and distribution of crude oil, liquids, and refined products, and it also provides emulsion treating, water disposal, and waste management services.

Gibson pays a quarterly dividend of \$0.33 per share, or \$1.32 per share annually, which gives its stock a yield of about 7.3% at today's levels.

Investors must also make two very important notes.

First, the company's 3.1% dividend hike in March has it on pace for fiscal 2016 to mark the fifth consecutive year in which it has raised its annual dividend payment.

Second, I think Gibson's ample distributable cash flow (DCF), including the \$219.5 million it generated in fiscal 2015, its reasonable payout ratio, including 73% of its DCF in fiscal 2015, and the additional cash flows that will be generated from its \$346 million in projects that were commissioned in fiscal 2015 and the \$400-600 million in projects that will be commissioned from 2016-2017, will allow its streak of annual dividend increases to continue for the next several years.

2. Keyera Corp.

Keyera Corp. ([TSX:KEY](#)) is one of Canada's largest midstream energy companies. Its services include natural gas gathering and processing, natural gas liquids fractionation, transportation, storage, and marketing, and iso-octane production and sales.

Keyera pays a monthly dividend of \$0.125 per share, or \$1.50 per share annually, which gives its stock a yield of about 3.6% at today's levels.

Investors must also make two very important notes.

First, the company's two dividend hikes in 2015 have it on pace for fiscal 2016 to mark the sixth consecutive year in which it has raised its annual dividend payment.

Second, I think Keyera's increased amount of distributable cash flow (DCF), including its 23.9% year-over-year growth to \$482 million in fiscal 2015, its modest payout ratio, including 50% of its DCF in fiscal 2015, and the additional cash flows that will be generated from its \$1.2 billion in projects that were recently commissioned and the +\$1.5 billion in projects that will be commissioned from 2016-2018, will allow its streak of annual dividend increases to continue going forward.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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