2 Energy Infrastructure Stocks With Yields of 5-12%

Description

If you're interested in buying a high-yielding stock with exposure to the oil and natural gas industries, but want to minimize your risk associated with commodity prices, then energy infrastructure stocks are for you.

Energy infrastructure companies own and operate assets such as oil and natural gas pipelines, processing plants, and storage facilities, and these generally involve long-term, fee-based contracts with the companies who use them, which means they are not directly affected by the day-to-day price action in commodity prices. This business model also leads to high and predictable cash flows, allowing for a significant amount of capital to be returned to shareholders in the form of dividends.

With all of this being said, let's take a look at two energy infrastructure stocks with high and safe dividend yields that you could buy today.

1. Pembina Pipeline Corp.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA) is one of North America's largest owners and operators of energy infrastructure, including natural gas pipelines, processing plants, fractionation plants, storage facilities, terminals, oil pipelines, and storage facilities.

Pembina pays a monthly dividend of $0.16 per share, or $1.92 per share annually, which gives its stock a yield of approximately 5.3% at today's levels.

It is also very important for investors to make the following two notes.

First, Pembina has raised its annual dividend payment for four consecutive years, and its two hikes since the start of 2015, including its 5.2% hike in May 2015 and its 4.9% hike in March 2016, have it on pace for 2016 to mark the fifth consecutive year with an increase.

Second, I think the company's consistent growth of cash flows from operating activities, including its 6.3% year-over-year increase to an adjusted $2.53 per share in fiscal 2015, and its growing asset base, including the $1.3 billion worth of assets that were commissioned in 2015, the $740 million worth of assets that have been commissioned so far in 2016, and the +$4.5 billion worth of assets that will be commissioned through 2018, will allow its streak of annual dividend increases to continue for the next several years.

2. Veresen Inc.

Veresen Inc. (TSX:VSN) is one of North America's largest owners and operators of natural gas and natural gas liquids (NGL) infrastructure, including pipelines, processing plants, and fractionation plants. It also owns and operates power generation facilities, including gas-fired, wind, waste heat, and hydroelectric facilities.

Veresen pays a monthly dividend of $0.0833 per share, or $1.00 per share annually, which gives its stock a yield of approximately 11.2% at today's levels.

It is also very important for investors to make the following two notes.

First, Veresen has maintained its current annual dividend rate since 2007.

Second, I think the company's consistent generation of distributable cash, including $1.06 per share in fiscal 2015 and $0.27 per share in the first quarter of fiscal 2016, and its growing asset base, including the $1 billion of contracted projects under construction that will be commissioned through 2019, will allow it to continue to maintain its current dividend rate going forward.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

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2. TSX:PPL (Pembina Pipeline Corporation)

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