

Get Monthly Income From This Stable Stock

Description

If you're looking for a stable stream of [monthly income](#) and steady price appreciation over time, you should consider including **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)) as a part of your [diversified portfolio](#).



Here's an overview of Pembina's business

Pembina's integrated operations offer a full spectrum of midstream and marketing services to the energy sector. Its +18,000 km pipeline system has a net capacity of about three million barrels of oil equivalent per day, transporting natural gas and hydrocarbon liquids products, which are primarily produced in western Canada.

Pembina also has processing and fractionation facilities, which are primarily in the Western Canada Sedimentary Basin and provide natural gas and natural gas liquids services to its customers.

Furthermore, Pembina has a marketing and new ventures division, which aims to maximize the value of hydrocarbon liquids and natural gas originating in the basins that Pembina operates in.

This year, Pembina will roughly generate 60% of its earnings before interest, taxes, depreciation, and amortization (EBITDA) from its pipelines, 29% from its facilities, and 11% from its marketing and new ventures segment.

Pembina offers a safe monthly dividend

Since 2001, Pembina has at least maintained its dividend. Since 2012, it has increased its dividend every year. In the past five years, it increased its dividend by 4.9% per year on average.

Pembina's dividend payout this year is estimated to be 9.8% higher than last year, which includes the 5.6% hike that was announced last week. The higher growth was thanks to the Veresen acquisition and new assets that came into service following a multi-year capital program; since 2017, Pembina has brought \$5 billion of projects into service, which has translated to transformational growth. It has \$1.9 billion of secured projects that are underway to boost growth.

Notably, the higher dividend of \$0.19 per share will be payable on June 15 to shareholders of record on May 25. At the recent quotation of just above \$44 per share, Pembina offers a juicy yield of nearly 5.2%, which is supported by a payout ratio of ~56% of its free cash flow per share.

Investor takeaway

Pembina is a stable company that's conservatively run. Management aims for 80% fee-based contribution to adjusted EBITDA, less than 100% payout of fee-based distributable cash flow, 75% credit exposure from credit-worthy counterparties, and a strong BBB credit rating. Stable cash flow generation coupled with a sustainable payout ratio leads to a safe dividend.

Pembina's +5% yield is a good way to go to earn a rich monthly dividend. On top of its dividend, the stock also offers 12-month upside potential of ~17% according to the consensus target from **Thomson Reuters Corp.**

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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