# Canada’s Best Dividend-Growth Stock to Take Advantage of Higher Oil

## Description

Energy stocks are garnering considerable attention since oil soared to highs not seen since late 2014. The North American benchmark West Texas Intermediate has broken through the psychologically important US$70-a-barrel mark and appears ready to climb higher.



You see, Trump’s withdrawal from the Iran nuclear deal could very well quash Teheran’s plans to expand oil production and exports, reducing the global supply overhang, which has weighed on prices.

Meanwhile, steadily growing inventory draws indicate that demand for crude is rising at a steady clip, indicating that global energy markets may have finally re-balanced. That makes now the time for investors to boost their exposure to energy stocks.

Among the best means of gaining exposure to higher crude is by investing in those companies that provide critical infrastructure to the energy patch. My top pick is leading Canadian energy infrastructure company **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA). While crude has soared by ~20% over the last three months, Pembina has lagged behind, only gaining 14%, and this has created an opportunity for investors.

**Now what?**

Pembina is a leading North American energy infrastructure company which generates it earnings by providing transportation, storage, and midstream services to North America’s energy patch. Its pipelines division has over 18,000 kms of pipelines used to transport oil, other petroleum liquids, and natural gas, with a capacity of about three million barrels of oil equivalent daily.

For the first quarter 2018, Pembina reported some solid results. Revenue expanded by a remarkable 24% year over year, cash flow shot up by an impressive 53%, and net income grew by a stunning 57%. That strong growth can be primarily attributed to new assets coming into service as well as those gained from the needle-moving $9.7 billion Veresen Inc. deal. This saw total volumes transported during the quarter expand by a healthy 38% year over year to 3.3 million barrels daily, giving revenue from Pembina’s pipeline division a notable 45% lift.

Demand for Pembina's transportation infrastructure will grow at a rapid clip, as Canadian energy companies increase the tempo of operations to boost oil production so as to take advantage of significantly higher oil. The company is also focused on expanding the capacity of its pipeline and storage network, including a focus on an ongoing build-out of its pipeline systems to support production growth in the Montney, Duvernay, and Deep Basin resource plays.

In total, Pembina has $1.9 billion of secured growth projects under development, which are all expected to come into service between late 2018 and 2020. Those projects will give the company's transportation and storage capacity a significant boost, which should lead to greater volumes and hence higher earnings. For 2018 alone, EBITDA is forecast to grow by up to 61% compared to 2017 to $2.75 billion.

**So what?**

Such strong growth will give Pembina's stock a healthy boost while supporting further dividend hikes. The company has a history of rewarding investors through regular dividend hikes. It has increased its dividend for the last six years to give it a tasty yield of just under 5%, and there is every sign that Pembina will hike its dividend again in 2018. There is also Pembina's wide economic moat, which — along with the relatively inelastic demand for oil — virtually ensures the company's earnings. For these reasons, Pembina is one of the best dividend-growth stocks available to investors.



**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**Date**
2025/07/03
**Date Created**
2018/05/10

**Author**
mattdsmith