2 Excellent Monthly Income Stocks

Description

When investors look for income stocks, first and foremost, the stocks should offer safe dividends. Second, the companies should be priced at good valuations.

Income seekers should consider **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA) and **Plaza Retail REIT** (TSX:PLZ.UN) now because they offer safe dividends and are priced at good valuations.

First, here’s an overview of the businesses.

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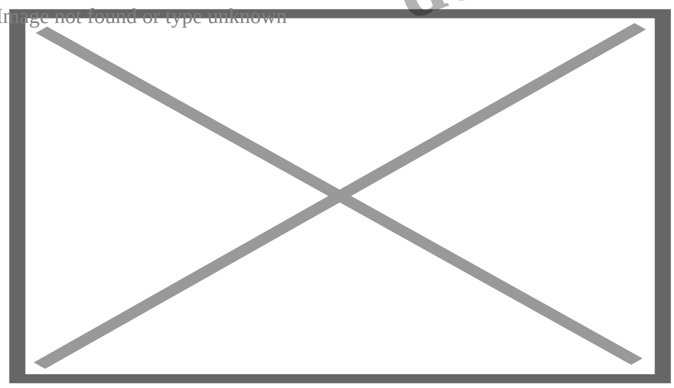

The businesses

Pembina Pipeline transports and provides midstream services in North America. Its pipelines transport natural gas and hydrocarbon liquids products, which are primarily produced in western Canada.

The company also has gas-gathering and processing facilities and an oil and gas liquids infrastructure and logistics business. As a result of Pembina Pipeline’s integrated operations, it offers a full spectrum of midstream and marketing services to the energy sector.

Plaza is a retail real estate investment trust (REIT) and has interests in 297 properties. It primarily develops, owns and manages retail real estate in Atlantic Canada, Quebec, and Ontario.

One of the company's strengths lies in its relationship with Shoppers Drug Mart (owned by **Loblaw Companies Ltd.**), which contributes ~25% of its base rent revenue.

Plaza's second- and third-largest tenants are KFC franchisees (the majority is represented by three tenants) and **Dollarama Inc.**, which contribute ~8% and ~5%, respectively, to its base rent. Plaza's portfolio has an average remaining lease term of roughly six years.

Safe dividends

Pembina has maintained its dividend per share for more than 16 years, and it has increased its dividend for six consecutive years with a three-year dividend-growth rate of 5.9%. The **Bank of Nova Scotia** analyst estimates Pembina's payout ratio will be ~56% of its free cash flow this year. So, its 5.1% dividend yield is safe.

Plaza has increased its distribution every year since 2004. (Only one other Canadian REIT has achieved the same feat.) In the last three years, Plaza has increased its distribution per unit by ~3.8% per year on average.

With a committed occupancy of ~95% and a funds-from-operations payout ratio of ~88%, Plaza Retail offers a safe distribution of 6.5%. In Q1, Plaza renewed leases with two primary KFC operators across 62 sites with an average rental increase in the first year of ~5% and an average lease term of about seven years. This improves the safety of Plaza's distribution.

Good valuations

At ~$44.50 per share, Pembina trades at a multiple of ~11.8. At $4.30 per unit, Plaza is undervalued at a multiple of ~12.4. The stocks are trading at their cheapest valuations since 2010.

Investor takeaway

Investors looking for above-average income should consider Pembina and Plaza for yields of +5%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. TSX:PLZ.UN (Plaza Retail REIT)
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