



Should Keyera Corp. (TSX:KEY) Be in Your Dividend Portfolio?

Description

The Canadian energy sector is full of companies that provide midstream services in the areas of natural gas liquids (NGL) gathering and processing, transportation, and storage.

These businesses play an important role in the larger system of getting [oil](#), gas, and gas liquids from producers to the end users.

Let's take a look at **Keyera Corp.** ([TSX:KEY](#)) to see if it deserves to be on your buy list.

Earnings

Keyera divides its businesses into three segments, including marketing, liquids infrastructure, and gathering and processing.

The company generated Q1 2018 adjusted EBITDA of \$189 million compared to \$148 million in Q1 2017. Distributable cash flow rose from \$0.65 per share to \$0.75 per share. Net earnings slipped from \$0.52 per share in Q1 2017 to \$0.43 per share in the first three months of this year.

Operating margins in the marketing segment came in at \$66 million compared to \$68 million in Q1 2017. The gathering and processing group benefited from record throughput volumes and saw operating margins increase from \$66 million to \$71 million. Liquids infrastructure operating margins jumped to \$82 million from \$65 million, supported by contributions from new assets that came online, including the Base Line Terminal and the Norlite Pipeline.

Overall, Keyera had a solid start to 2018.

Growth

The company continues to grow through acquisitions and organic developments.

Keyera just closed its US\$80 million purchase of a logistics and liquids blending terminal in Oklahoma.

In addition, the company is moving ahead with the second phase of its Wapiti Gas Plant in Alberta. The

\$150 million project adds 150 million cubic feet per day of gas processing to the existing plant, which is under construction. Phase two should be completed in 2020. Keyera is also expanding the two gathering systems that bring product to the plant.

As part of the larger strategy in the Montney region, Keyera is building its \$120 million North Wapiti Pipeline System to extend the capture area of the Wapiti Gas Plant. It should be finished in 2019.

Other projects on the go include the Pipestone Liquids Hub, which should go online in late 2018, and the \$500-600 million Pipestone Plant development that should be in service in 2021.

Overall, Keyera has more than \$2 billion in capital projects that should be completed over the next three years, with roughly \$1 billion being invested in 2018.

Dividends

As the new assets move from development to service, revenue and cash flow should increase and support continued dividend growth. Keyera currently pays a monthly distribution of \$0.14 per share. That's good for a [yield](#) of 4.5%.

Should you buy?

The company has a strong presence in the growing Montney and Duvernay developments, and investors should see continued expansion in the region. If you are looking for a top-quality dividend-growth stock to add to your portfolio, Keyera deserves to be on your radar.

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