



An Attractive Monthly Dividend Stock to Boost Retirement Income

Description

Canadian pensioners are searching for dividend stocks that pay reliable and [growing dividends](#) with above-average yield.

The downturn in the energy infrastructure sector over the past year is serving up some attractive picks, and although it appears that the rout may be over, many of the beaten-up names still offer great returns and decent upside potential.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) to see why it might be an interesting pick today.

Asset mix

Inter Pipeline Ltd. (IPL) helps Canadian oil producers get their product to market through its pipeline gathering systems, and operates natural gas liquids (NGL) extraction sites. In addition, IPL owns a bulk liquids storage business in Europe.

First-quarter results came in strong, with net income hitting a record \$143 million supported by a 20% year-over-year increase in funds from operations (FFO) in the NGL processing segment. The company bought two extraction facilities at a discounted price during the oil rout, and the investment is paying off amid a recovery in market prices.

On the gathering side of the business, the company operates three oil sands pipelines as well as three conventional oil pipeline systems. The oil sands operations generated FFO consistent with Q1 2017, with an average 2% growth across the group. Conventional oil FFO dipped slightly on an year-over-year basis, as volumes increased 5% on the mid-Saskatchewan system, but dropped on the Central Alberta and Bow River assets.

The bulk liquids storage segment took a hit, with FFO dropping from \$26.2 million in Q1 2017 to 18.7 million. The company cites weaker storage demand due to shifts in commodity prices. Average storage utilization fell to 82% from 99% in Q1 2017. The Q2 storage numbers should be better, however, as IPL added several new storage contracts after the end of the first quarter.

Growth

IPL is constructing a \$3.5 billion integrated propane dehydrogenation and polypropylene facility. The Heartland Petrochemical Complex is scheduled for completion in late 2021, and the company expects the operation to generate EBITDA in the range of \$450-500 per year.

This should provide a nice boost to cash flow available for distributions.

Dividends

IPL raised its monthly payout from \$0.135 to \$0.14 per share. That's good for an annualized [yield](#) of 6.5% for investors who buy the stock today.

The Q1 payout ratio was 63%, so the distribution is easily covered by existing operations.

Upside potential

Income investors are more concerned with capital protection and growing payouts than they are with a rising stock price, but it's always nice to own a name with some good upside potential.

IPL is up from \$21.60 in March to the current price of \$25.60 at the time of writing. A recovery in the energy sector bodes well for the stock, and more gains could be on the way. At its peak in 2014, IPL traded for close to \$39 per share.

Should you buy?

The bottom appears to be in for IPL, and the distribution should be very safe. If you're searching for an above-average yield, I believe this stock looks attractive at the current share price.

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