Pay the Bills With These 2 High-Yield Dividend Stocks

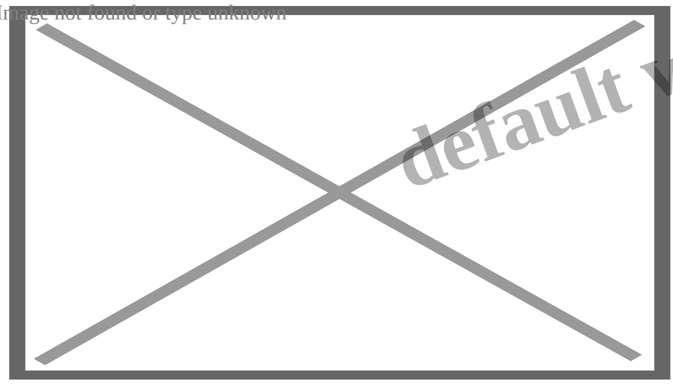
Description

Energy infrastructure stocks are some of the best stocks to get income from. Particularly, **Inter Pipeline** (TSX:IPL) and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) conveniently offer monthly dividends that can help you pay the bills.

Inter Pipeline

Inter Pipeline transports and stores petroleum products and processes natural gas liquids. As of the last reported quarter, at the end of June, Inter Pipeline had about $3.9 billion of long-term debt, while it generated about $1.1 billion of operating cash flow in the last four reported quarters.

Inter Pipeline has a strong history of paying safe dividends. It has maintained or increased its dividend per share every year for 17 consecutive years. And it has increased its dividend per share for nine consecutive years. It has a three-year dividend-growth rate of 7.3%.



Inter Pipeline is investing about $3.5 billion in Canada's first integrated propane dehydrogenation and polypropylene complex, which is expected to come into service in late 2021. So far, it has invested about $400 million in the project.

The investment in this big project isn't going to start paying off until a few years later. As a result, in the near term, Inter Pipeline's dividend hikes will likely be lower. For example, Inter Pipeline's monthly dividend per share is 3.7% higher than it was a year ago.

Inter Pipeline has an investment-grade S&P credit rating of BBB+ and a sustainable dividend with a payout ratio of less than 80%. It has a weighted average interest rate of about 3.6% for its debt with a weighted average maturity of about eight years. So, the stock is relatively low risk. At $23.03 as of writing, Inter Pipeline offers a whopping yield of 7.29%.

Pembina Pipeline

Pembina Pipeline has been serving the North American energy industry for +60 years. It transports hydrocarbon liquids and natural gas products primarily in western Canada. It also owns gas-gathering and -processing facilities and an oil and natural gas liquids infrastructure and logistics business.

As of the last reported quarter, at the end of June, Pembina Pipeline had about $7 billion of long-term debt, while it generated about $1.9 billion of operating cash flow in the last four reported quarters.

Pembina Pipeline has a strong history of paying safe dividends. It has maintained or increased its dividend per share every year for at least 18 consecutive years. And it has increased its dividend per share for six consecutive years. It has a three-year dividend-growth rate of 4.9%.

Pembina Pipeline has an investment-grade S&P credit rating of BBB. It estimates to pay out about 85% of its fee-based distributable cash flow as dividends this year, which leads to a sustainable dividend with a standard payout ratio of about 60%.

Pembina Pipeline has about $2 billion of secured projects and +$13 billion of potential projects to grow its business. The conservatively run business trades at $43.23 as of writing and offers a safe yield of 5.27%.

Investor takeaway

Both stocks are discounted but in the near term, Inter Pipeline stock will likely exhibit little growth because of its large investment that won't start paying off until a few years down the road. That said, investors looking for a safe +7% yield can still consider Inter Pipeline.

Pembina Pipeline will likely deliver more stable annualized returns over the next few years with +5% coming from dividends and about 5% coming from price appreciation.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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