



Why Pembina Pipeline (TSX:PPL) Is a Top Stock for Retirees

Description

Growing income combined with safety and reliability are some of the most important considerations for those near or at retirement. Creating a reliable income stream from investments can be the difference in achieving your dream retirement.

Midstream companies are some of the most attractive, as they have low volatility, generate a considerable amount of cash flow, and pay a generous and growing dividend. In the industry, there is [perhaps none better](#) than **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)).

Strong performance

Pembina has been one of the top-performing stocks in the industry. In 2019, the company's stock price is up 21%, far outpacing the TSX Energy Index. Over the past two- and five-year periods, it has also outperformed peers such as **Inter Pipeline** and **TC Energy**.

Since 2014, the company has grown net income by an average of 32.8% annually. Over the past three years, it has more than doubled earnings per share (from 1.01 to 2.28), and has grown revenue by 72% (from \$4.27 to \$7.35 billion).

There is no midstream company that has grown at such a pace in recent years.

One of the reasons for this outperformance is that the company has proven adept at making astute acquisitions. Since 2012, it has made three transformative acquisitions.

The first was a \$3.1 billion deal for Provident Energy back in 2012. The second came in 2017, when it acquired rival Veresen for \$9.7 billion. This was, and still is, the largest acquisition in the company's history.

Yesterday, Pembina announced its intentions to purchase **Kinder Morgan Canada** and the U.S. portion of the Cochin Pipeline from **Kinder Morgan** in a deal valued at a \$4.35 billion.

The Kinder Morgan deals are expected to be accretive to earnings before interest, taxes, depreciation, and amortization and adjusted cash flow per share. The assets being acquired are supported by long-term fee-for-service and take-or-pay contracts. This will enable Pembina to once again raise dividends.

A top dividend stock

Upon closing of the acquisitions, Pembina announced it will raise the monthly dividend by 5% from \$0.20 to \$0.21 per share. The company already announced a 5.26% raise in May of this year.

The dividend raises extend the company's dividend-growth streak to eight years. As a Canadian Dividend Aristocrat, it is committed to growing its dividend through the generation of reliable cash flows. The company currently yields [an attractive 4.67%](#) and has grown dividends by 6% on average over the past five years.

A top stock for your RRSP

Pembina does nothing but perform. Stable and reliable cash flows have enabled the company to make transformational acquisitions to drive growth.

Over the next five years, analysts expect the company to grow earnings by an average of approximately 10% annually. Of the 18 analysts covering the company, 17 rate the company a *buy* with a one-year average price target of \$56.38 per share. This implies 15% upside from today's price.

I expect these estimates to be revised upwards once the company closes on the Kinder Morgan acquisitions.

There is nothing flashy about the company. It has a beta around one, which means it tends to track market performance, and an investment in the company isn't going to make you instantly rich. However, it is the perfect stock for your RRSP.

Whether you are saving for or in retirement, Pembina is the perfect buy-and-forget investment.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:PBA (Pembina Pipeline Corporation)
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