Get High Passive Income From These 2 Quality Dividend Stocks

Description

Want to sit back and relax while money comes rolling to you? Simply buy great cash-cow businesses that grow over time.

Pembina Pipeline (TSX:PPL)(NYSE:PBA) and **A&W Revenue Royalties Income Fund** (TSX:AW.UN) are two quality dividend stocks that have delivered total returns of 12-13% per year since late 2007, before the last recession.

They are powered by wonderful underlying businesses and happen to pay monthly cash distributions. They offer excellent income with a safe yield of about 5% for starters.

The dividend stocks are trading at good valuations today, too, which means they'll likely continue to deliver *market-beating income and total returns* over the long run with below-average risk.

Pembina Pipeline

Pembina owns a network of pipelines that transport crude oil, natural gas, and natural gas liquids produced primarily in western Canada. It also has gas gathering and processing facilities and an oil and natural gas liquids infrastructure and logistics business.

Pembina is working on acquiring **Kinder Morgan Canada** and the U.S. portion of the Cochin Pipeline system for about $4.35 billion. Other than Cochin, Pembina will also acquire the Edmonton storage and terminal business and Vancouver Wharves, a bulk storage and export/import business, which, altogether, further vertically integrates the company along the value chain and enhances access to global markets.

Pembina expects the acquisition to be immediately accretive to adjusted cash flow and improve its cash flow quality. As a testament to management’s confidence, upon closing the transaction, Pembina will increase the dividend by 5%.

According to analysts, Pembina has 15% 12-month upside potential. So, it’s a good value for accumulation.

A&W Revenue Royalties Income Fund

A&W is a burger chain royalty trust with 934 stores in Canada. It earns a 3% royalty of sales and is a capital-light business because the franchisees are the ones that pay to build new stores.

Its three-year royalty income growth was 8.7%. Last year, same-store sales growth of 9.8% was very strong, but growth persisted — in the first half of 2019, same-store sales growth was 10.2%.

Naturally, this year’s cash distribution growth has been especially strong. The current monthly payout of $0.159 per unit is 12.8% higher than it was a year ago.

Because of its capital-light business model, A&W generates strong free cash flow. So, its payout ratio of about 90% of distributable cash flow is not a concern.

The stock has retreated to under $39 per share, which makes it ripe for accumulation.

Notably, A&W pays out cash distributions that are taxed as non-eligible dividends. So, investors should consider holding the stock in their TFSA, RRSP/RRIF, or RESP if possible.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:PPL (Pembina Pipeline Corporation)

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