1 Bargain Dividend Stock to Boost Your Monthly Passive Income Immediately

Description

To generate passive income from dividend stocks, it means choosing the stocks that you can buy and forget. After you buy **Pembina Pipeline's** (TSX:PPL)(NYSE:PBA) common stock, you can do nothing and collect safe passive monthly income immediately from it.

Here are several reasons why I'm bullish on the stock for the long term!

Continuous dividend payments

Since 1999, Pembina stock has paid continuous cash distributions every month without ever cutting it. This equates to a very strong dividend history of nearly 20 years!

Additionally, the company appeared to have become accustomed to increasing its dividend every year since 2012 so far. What a delight it is that over the last few years, its payout ratio has lowered to improve the safety of its dividend as well.

Stable cash flow to protect the dividend

Year to date, Pembina's asset utilization has remained strong with total volumes increasing by 1% to more than 10,200 mboe/d. This resulted in operating cash flow per share growing 12% to \$3.53 and adjusted EBITDA climbing 7% to \$2,274 million.

This stable performance is likely to continue with roughly 85% of its cash flow highly contracted, protecting its dividend.

Don't think that the stability in cash flow generation is a given for all energy infrastructure companies. Pembina's peer, **Inter Pipeline**, has unfortunately seen its cash flow generation gone south recently — specifically, Inter Pipeline's operating cash flow per share dropped 25%, and adjusted EBITDA fell 16% year to date.

A track record of industry-leading returns

Since 2007 (choosing a starting point before the last market crash to avoid being bias), Pembina stock has delivered total returns of 12.1% per year. This would have essentially turned an initial $10,000 investment into $43,604.

In the same period, larger peers, **Enbridge** and **TC Energy**, respectively, delivered annualized returns of 10.1% and 6.6%, while smaller peers, Inter Pipeline and **Keyera**, respectively, delivered annualized returns of 11.7% and 14.6%.

A bargain dividend stock with growth

In its pipeline, Pembina has more than $16 billion of potential capital projects, including $5.7 billion that are commercially secured. Additionally, the acquisition of **Kinder Morgan Canada** (and the Cochin pipeline in the U.S.) will expand its network and add currency and market diversification. About 50% of the acquired EBITDA will be in U.S. dollars.

At $46.38 per share as of writing, Pembina trades at about 10.1 times cash flow, which is in the valuation range of the last recession! In other words, the stock is a bargain with more than 20% 12-month upside potential, according to the analyst consensus.

The dividend stock provides a yield of 5.17%. With $10,000 of investment, you'd receive $517 per year in monthly passive income.

Investor takeaway

The best thing to do is to buy a diversified portfolio of dividend stocks with predictable earnings or cash flow that you can store in the closet and generate true passive income from.

Start buying Pembina stock for monthly income now. It'll be exhilarating to watch your dividend portfolio's passive-income stream grow larger every year!

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