



Buy Alert: \$10,000 in This TSX Stock Will Help You Earn \$677 in Annual Dividends

Description

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a leading midstream and energy transportation service provider based out of Calgary, Canada. It owns an integrated system of pipelines that transport crude oil, natural gas liquids, and natural gas that are produced primarily in Western Canada, along with gas gathering and processing facilities, oil and natural gas, liquids infrastructure, and logistics business.

Steady comeback since the bear market of 2020

Pembina stock fell off a cliff when the pandemic hit last year. It dropped from over \$50 in January 2020 to \$26 in March 2020. Low oil demand around the world kept it below \$30 until December. It has since made a strong comeback and is now trading at \$37.22, up almost 24% in 2021.

The increase in the company's stock price has mainly been thanks to the increase in demand for oil and higher crude oil prices. Moreover, since Pembina continues to trade 23% below its 2020 high, it does provide for an excellent buying opportunity. Its forward [price-to-sales](#) and forward price-to-earnings multiples stand at 3.3 and 15.9, and so its valuation looks cheap.

Pembina deferred previously announced expansion projects and reduced 2020 capital spending by approximately \$1 billion. It also realized \$150 million in cost savings and efficiencies.

Pembina operates on a highly contractual business model, with 90-95% of its adjusted EBITDA being generated from long-term and fee-based contracts. Its integrated business model is well-positioned to help benefit the company from rising prices of oil, thus making the company's outlook relatively healthy.

Pembina said it is looking to invest \$785 million this year in capital expenditure, allowing it to further growth prospects. In fact, the company's management is hoping that its adjusted EBITDA should come in anywhere around \$3.2 billion-\$3.4 billion – at least.

In its business update, Pembina said, "With the conventional systems currently operating at, or near,

take-or-pay levels, there is tremendous operational leverage as incremental volumes will contribute directly to the Company's financial results." It added that the 2021 outlook is supportive of being able to hit "play" again.

What's next for Pembina investors?

Now thanks to Pembina Pipeline's healthy growth prospects, strong liquidity position, and steady cash flows, one can believe that its dividends will remain safe. The company pays monthly dividends of around \$0.21 per share, which does indicate a very healthy forward dividend yield of 6.77%. It means a \$10,000 investment in Pembina stock will help you derive \$677 in annual dividends.

Further, analysts are of the opinion that over time Pembina will begin to unlock several growth projects once the oil markets begin to normalize and that will also consequently lead to a recovery in stock prices once again.

Never mind the oil naysayers, Pembina says that oil and natural gas is expected to supply 52% of the world's energy needs in 2040. Energy demand will also be driven by a 19% increase in the world's population and rising per capita energy use, supporting improved global living standards.

Fellow Fool Nikhil Kumar [summed](#) it up when he said, "...Pembina owns high-quality assets and could be worth several multiples of the company's current market capitalization 100 years from now."

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