



Monthly Income: Why Pembina (TSX:PPL) Is a Must-Buy Now

Description

Historically, oil prices have predictable season swings. However, it became volatile due to the global pandemic. The anticipated high demand in the summer of 2020 suddenly disappeared. Today, the narrative has changed for [energy stocks](#) because oil demand is back.

On June 8, 2021, the U.S. Energy Information Administration (EIA) released its short-term energy outlook. The EIA predicts the average price per barrel of Brent crude oil to increase to US\$68 in Q3 2021 then taper off to US\$60 in 2022.

Also, the Organization of the Petroleum Exporting Countries (OPEC) announced during its meeting this month it would gradually return two million barrels per day (b/d) to the market. On the **TSX**, the battered energy sector last year is now the top gainer (+55.25%) thus far in 2021.

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) should be the most attractive income stock if you're a [dividend investor](#). Apart from the high yield, the \$22.05 billion leading midstream and transportation service provider in North America pays monthly dividends rather than quarterly.

Making headlines

Pembina Pipeline is always in the headlines of late. The company made an offer to acquire **Inter Pipeline** and upset the takeover plan of **Brookfield Infrastructure Partners**. On February 22, 2021, Brookfield formally announced a \$7.1 billion hostile bid for Inter Pipeline.

Inter Pipeline's Board of Directors unanimously rejected the hostile takeover bid in March 2021. The advice of its financial and legal advisors, as well as the recommendation of a special committee of independent directors to shareholders, was to reject the bid. Also, the Board said that Brookfield's offer significantly undervalues Inter Pipeline's standalone plan.

Winning bidder

On June 1, 2021, Pembina trumped Brookfield's bid with an offer of its own. The company offered to acquire rival Inter Pipeline for \$8.3 billion via an all-stock deal. Interestingly, the board of Pembina and Inter Pipeline wasted no time accepting the friendly bid.

Brookfield Infrastructure immediately sweetened the second uninvited bid to \$8.48 billion to no avail. Despite the higher proposal, Inter Pipeline rejected the revised offer. Brookfield maintains that as Inter Pipeline's largest shareholder (19.65%), it's not supportive of the deal with Pembina.

Margaret McKenzie, Chairman of the Board and the Special Committee, said, "The proposed combination with Pembina provides Inter Pipeline shareholders the ability to participate in a large, highly integrated energy infrastructure business with significant potential growth opportunities across the value chain."

Acceleration of investment opportunities

According to Pembina's President and CEO Mick Dilger, the strategic combination will create one of the largest infrastructure companies in Canada. He describes it as a synergistic merger of complementary assets. Apart from significant expansion opportunities, there would be customer benefits, material efficiencies, and enhanced valuation.

Another caveat is that Inter Pipeline shareholders will benefit from an immediate 175% increase in monthly dividends once the deal closes. Furthermore, there should be a long-term upside from the soon-to-be operational Heartland Petrochemical Complex and Pembina's natural gas liquids business.

TSX 60 member

The premier energy stock belongs to the **S&P/TSX 60 Index**. If you invest today at \$40.10 per share, the dividend yield would be 6.32%. A \$30,000 investment will produce \$158 in monthly dividends. Pembina Pipeline has a track record of profitable growth and a robust portfolio of new opportunities. These factors should enhance the long-term value of your investment.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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