



## Passive Income: 2 Undervalued Stocks Paying High-Yield, Monthly Dividends

### Description

The market pullback is giving dividend investors in search of monthly passive income a chance to buy high-yield stocks at [undervalued](#) prices.

### Pembina Pipeline

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is a key player in the Canadian energy infrastructure sector providing midstream services to oil and natural gas producers.

The company has a 65-year track record of growth through acquisitions and internal projects. Pembina Pipeline isn't afraid to make aggressive bids for attractive and complementary businesses. Ongoing consolidation in the industry is expected, and Pembina Pipeline's [market capitalization](#) of \$26 billion gives it the flexibility to do large deals.

At the same time, management is exploring options to capitalize on growth opportunities emerging in the Canadian energy sector. Carbon-capture hubs and liquified natural gas (LNG) terminals are two areas of interest. Pembina Pipeline already has a propane export terminal, so it is familiar with the process of shipping fuel overseas.

The business should benefit from the rebound in oil and natural gas prices. Producers will ramp up production in the next few years and increase their demand for Pembina Pipeline's services. The stock looks undervalued today near \$47.50 per share. Pembina Pipeline traded above \$53 in early June.

Investors who buy now can pick up an annualized dividend yield of 5.3%. Pembina Pipeline pays its dividend monthly.

### TransAlta Renewables

**TransAlta Renewables** ([TSX:RNW](#)) pays a monthly dividend that also offers an annualized yield of 5.3%. The company owns and operates solar, wind, hydroelectric and gas-fired power facilities in

Canada, the United States, and Australia.

TransAlta Renewables had a rough 2021. An unplanned shutdown at a gas-fired power plant in Ontario coupled with the discovery of faulty foundations on 50 wind turbines in New Brunswick led to a drop in revenue and expensive repairs. The power plant is back in operation this year, but the Kent Hills wind farms will be offline until the second half of 2023.

Investors dumped the stock on the bad news. TransAlta fell from \$22 last August to as low as \$16 in June this year. Bargain hunters started buying in recent weeks, and TransAlta is now back up to \$17.75 at the time of writing. At this level, the stock still looks cheap.

Why?

TransAlta reported Q1 2022 results that came in well above the 2021 numbers. New assets are offsetting the revenue drop due to the Kent Hills shutdown. Revenue actually came in at \$143 million in the first quarter compared to \$126 million the same period last year. Free cash flow was \$108 million compared to \$99 million.

Looking ahead, the return of the Kent Hills facilities will drive revenue higher next year. In the meantime, investors can pick up the stock while it remains out of favour and collect a decent yield.

## The bottom line on top stocks to buy for monthly income

Pembina Pipeline and TransAlta Renewables pay monthly dividends with high annualized yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks look undervalued right now and deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:RNW (TransAlta Renewables)

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