These Monthly Dividend Payers Could Carry Your Portfolio for Years

Description

Monthly dividend-paying stocks provide investors an opportunity to derive a stable source of recurring income. As dividend payouts are monthly, you can use the payments to pay utility bills or even for a long-awaited vacation.

Additionally, monthly [dividend stocks] remain attractive to retirees, as they offer a predictable income stream and can be considered an alternative to fixed-income assets such as bonds. With these factors in mind, let’s take a closer look at the top monthly dividend stocks investors can buy right now.

Top monthly dividend stocks to buy in Q3 of 2022

There are several Canadian stocks that pay investors a monthly dividend. But not all of them should be part of your equity portfolio. There are several metrics you need to consider before investing in dividend stocks.

For example, companies that pay investors a dividend should have a sustainable payout ratio. These companies should generate enough cash flows to repay debt, reinvest in capital expenditure and maintain or, ideally, increase dividend payments over time.

Here are two such fundamentally strong stocks investors can buy right now.

Pembina Pipeline

An energy infrastructure company, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) offers investors a forward yield of 5.3%. Pembina’s robust balance sheet has enabled it to maintain dividends, even during the bear market of 2020 when oil prices crashed.

Pembina operates a wide network of pipelines, export facilities, and storage terminals. The company derives revenue by leasing out its capacity to energy companies under fixed-rate contracts, allowing Pembina to generate steady cash flows.

Pembina began paying investors a dividend back in 1998, and these payouts have increased at an annual rate of 5% in the last 10 years. Due to its extensive backlog of expansion projects, Pembina is well poised to keep increasing dividends in the future.

Further, the company is also investing in lower-carbon fuels and is shifting its focus on creating a base of clean energy assets, which will be a key driver for long-term growth.

Pembina is valued at 16.6 times forward earnings, which is quite reasonable given analysts expect adjusted earnings to rise from $1.99 per share in 2021 to $2.93 per share in 2023.

Pembina stock is also trading at a discount of 10% to average analyst price target estimates. After accounting for its tasty dividend yield, total returns will be closer to 16% in the next year.

Savaria

A small-cap company, **Savaria** (TSX:SIS) offers investors a dividend yield of 3.4%. In the last five years, Savaria's dividend has increased by 7% annually.

In Q2, Savaria reported sales of $375.6 million, an increase of 29.2% year over year. The increase in the top line was driven by Savaria's acquisition of Handicare, while organic sales rose 10.6%.

Its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) stood at $59.6 million, indicating a margin of almost 16%, while adjusted net earnings were $15.7 million, or $0.24 per share, in the June quarter.

Savaria is valued at 1.3 times forward sales, and the stock is trading at a discount of 50% compared to average analyst estimates.

The Foolish takeaway

Investors can leverage the benefits of monthly dividend stocks to create a passive-income stream. Further, investors can reinvest these dividends to purchase additional shares and create a mechanism to increase dividend cash flows in the future.

While there are several stocks on the TSX that pay monthly dividends, Pembina Pipeline and Savaria are attractive options, as they should increase their payouts in the upcoming decade.

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Date
2025/09/01
Date Created
2022/08/21
Author
araghunath