1 Canadian Energy Stock (With a +6% Dividend Yield) to Earn Monthly Passive Income

Description

Energy stocks in Canada are continuing to underperform the broader market in August. Continued worries about slowing economic growth amid high inflation and a rising interest rate environment are taking a toll on the oil and gas sector. These concerns also explain why West Texas Intermediate (WTI) crude oil futures prices have seen over a 6% drop in August so far after witnessing more than 7% value erosion in July.

Top Canadian stock to earn monthly passive income

Despite ongoing concerns, the medium- to long-term growth outlook for oil prices remains strong with consistently growing global demand in the post-pandemic era, which should help energy stocks recover fast in the coming months. Given that, it could be an opportunity for Canadian investors to buy some quality energy stocks on the dip to hold for the long term. Many fundamentally strong oil stocks also reward their investors with high dividends each month, which could help investors earn reliable monthly passive income with ease.

Let me highlight one of the best energy stocks — **Keyera** (TSX:KEY) — investors can buy right now. It currently has an impressive annual dividend yield of more than 6%.

Keyera stock's strong monthly dividends

Keyera is a Calgary-based integrated energy infrastructure company with a market cap of about $7 billion. Despite losing 4.4% of its value to $31.73 per share in August so far, this Canadian energy stock is up by 11.2% year to date. By comparison, the **TSX Composite** benchmark has seen about 6% value erosion in 2022 so far.

At the current market price, Keyera's annual dividends yield stands at 6.1%, and it distributes dividend payouts on a monthly basis. In five years between 2016 and 2021, its dividend per share has gone up by 25%, despite facing an oil industry-wide crisis during the COVID phase. In fact, the company raised its dividend payouts by around 3.8% YoY (year over year) in 2020. Overall, its well-proven track record of rewarding investors with stable dividends and its robust cash flows make it one of the most reliable Canadian stocks to buy to earn monthly passive income.

Strong fundamentals

Apart from its attractive dividends, Keyera's outstanding post-pandemic financial recovery reflects the underlying strength in its fundamentals. As the demand for energy products started surging last year, the company registered a 65.5% YoY jump in its 2021 total revenue after it fell by 16.7% in 2021.

The strength in its financial growth trends continued in the first half of 2022. In the June quarter, Keyera's total revenue rose by 81.7% to $1.9 billion, exceeding analysts' estimates by around 10%. Its strong marketing segment performance also helped the company post an outstanding 169% YoY increase in its adjusted earnings for the quarter to $0.78 per share, crushing Street's expectation of $0.52 per share.

This strong performance also encouraged the company to raise its full-year 2022 marketing segment's realized margin guidance range to $380-$410 million from its original guidance range of $300-$340 million. I expect its strong fundamental outlook and increased guidance for 2022 to help KEY stock stage a sharp recovery in the coming months.

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