



Should You Buy Pembina Pipeline (TSX:PPL) Stock for Its Monthly Dividends?

Description

The Canadian energy midstream segment is full of appealing investment options. Many offer earnings and dividend stability and have been silent wealth creators for decades. Speaking of energy midstream, bigwigs like **Enbridge** and **TC Energy** must have popped into your mind. Sure, they indeed offer handsome dividends and stable returns.

However, **Pembina Pipeline** ([TSX:PPL](#)) ([NYSE:PBA](#)), a relatively smaller peer, has outperformed both in the short as well as in the long term. Driven by its handsome dividends and steady financial growth, PPL stock has returned 65% and 210% in the last five and 10 years, respectively.

An attractive bet in the Canadian energy midstream space

Pembina Pipeline is a \$27 billion energy infrastructure and storage company. It has a diversified revenue base and is largely supported by fee-based contracts. Crude oil and condensate generate 40% of its revenues, while natural gas contributes 25%. The rest is derived from natural gas liquids operations.

Energy midstream is a relatively low-risk business. Unlike oil and gas producers, energy infrastructure companies earn stable cash flows. Pembina's EBITDA (earnings before earnings before interest, tax, depreciation, and amortization) – a proxy for operating cash flow – has hit record highs this year, rising 434% over the 12 months ending June 2022 to \$2.9 billion year-over-year.

Also, their earnings are less impacted by volatile [oil and gas prices](#). As energy commodity prices have been on the rise since the pandemic, upstream companies have upped their capex to grow production. This means higher volumes to transport to refineries and more business opportunities for midstream companies like Pembina.

Pembina operates a stable, low-risk business model that facilitates regularly growing dividends. The company has increased or maintained its per share dividend since 1998, indicating shareholder payout reliability.

Pembina Pipeline: Dividends

For 2022, the company is expected to pay a total annual dividend of \$2.52 per share. This indicates an attractive yield of 5.2%, way higher than TSX stocks at large. Notably, Pembina pays out monthly dividends. So, if you invest \$10,000 in PPL stock, it will pay dividends of \$520 annually or \$43 a month.

Besides energy pipelines, Pembina operates natural gas processing plants. Pembina and KKR agreed to combine their respective western Canadian gas processing units in March 2022. Pembina will own 60% of the joint venture. Notably, the synergy is expected to enable cost cutting for Pembina and will likely help reduce debt.

As stated earlier, oil and gas prices have little impact on Pembina's earnings. That's why oil producer stocks have almost doubled, while this PPL stock has gained 25% in the previous 12 months.

Bottom line

Note that stocks like Pembina are not suitable for all kinds of investors. If you are an aggressive investor and have the stomach for large stock price swings, you may be more apt to pick up risky growth stocks. However, if [stable passive income](#) is your topmost priority, your risk appetite is probably lower, and stable dividend-payers like Pembina should be more suitable.

Pembina Pipeline stock will likely keep paying regular growing dividends for years. Its earnings stability and strong balance sheet seem well placed to deliver decent annual dividend growth. The juicy dividend yield and less volatile stock make it an apt bet for conservative investors.

CATEGORY

1. Energy Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:PPL (Pembina Pipeline Corporation)
2. NYSE:PBA (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cleona
2. vinitkularni20

Category

1. Energy Stocks
2. Investing
3. Stocks for Beginners

Date

2025/10/01

Date Created

2022/08/24

Author

vinitkularni20

default watermark

default watermark