



## 2 Canadian Energy Stocks (With Monthly Dividends) I'd Buy and Hold Forever

### Description

Canadian [energy stocks](#) were on an absolute tear in the first half of 2022. But most of these fundamentally strong stocks have experienced a downturn in recent weeks due to falling oil prices. Alternatively, the outlook for most [oil and gas stocks](#) in Canada remains robust, making them attractive to income and value investors.

Several energy stocks on the TSX pay shareholders a tasty dividend yield, enabling them to generate a steady stream of passive income. A few of these companies even pay investors monthly dividends. I have identified two such quality Canadian energy stocks that should be on your watchlist right now.

### Pembina Pipeline

An integrated energy company, **Pembina Pipeline** ([TSX:PPL](#)) pays investors a monthly dividend of \$0.2175 per share, translating to a forward yield of 6.3%. Pembina Pipeline has a diverse and integrated base of cash-generating assets and a track record of profitable growth. It began paying investors dividends back in 1998 and has since disbursed over \$11 billion to shareholders via these payouts. In the last decade, Pembina has increased dividends by 5% annually.

Pembina's high yield is supported by its predictable cash flows. Around 90% of its cash flows are backed by fee-based contracts, and its dividend-payout ratio is below 55%. Its investment-grade balance sheet and low-debt profile provide Pembina with enough flexibility to maintain and even increase dividends in the future.

After adjusting for its dividends, Pembina Pipeline has returned close to 15% to investors in the last 12 months. The stock is still valued at 15 times forward earnings, which is quite reasonable, given analysts expect profit margins to expand by 12.5% in the next five years.

Pembina recently entered a joint-venture agreement with KKR to merge their respective processing assets located in Western Canada. Once the deal is completed, Pembina is expected to increase its dividend by another 3.6%.

## Keyera

Another Canada-based energy infrastructure company, **Keyera** ([TSX:KEY](#)) pays investors a monthly dividend of \$0.21 per share, indicating a forward yield of 6.7%. Keyera has increased these payouts by more than 6.5% annually in the last 10 years, despite fluctuations in commodity prices.

Last year, Keyera reported sales of \$5 billion, an increase of 65.5% year over year, on the back of strong oil demand and the reopening of economies. Its adjusted earnings surged 400% year over year to \$1.40 per share, valuing the stock at 20.8 times trailing sales. Canada accounts for 78% of total revenue, while the rest is generated from the south of the border.

Keyera has continued its stellar performance in 2022. Bay Street expects the bottom line to expand by 50% in 2022, according to data from Yahoo Finance. In the second quarter, Keyera's payout ratio stood at just over 50%, suggesting more dividend hikes are on the cards.

## The Foolish takeaway

Investing \$5,000 in each of these two stocks should allow investors to generate \$650 in annual dividend payments. If Keyera and Pembina Pipeline increase dividends by 5% annually in the next 10 years, annual payments will likely rise to \$1,050. Further, the two stocks are trading 17% below 52-week highs and might stage a rebound if oil prices gain pace in the fourth quarter of 2022.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:KEY (Keyera Corp.)
3. TSX:PPL (Pembina Pipeline Corporation)

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