10,000 of These Shares Could Pay You $26,092 Every Year!

Description

If you're looking for passive income, it pays to invest in dividend stocks. High-yield dividend stocks can pay you a surprising amount of income, sometimes upwards of 10% of your initial investment every year! Such finds are rare, but they do exist. Most of the time, the best dividend stocks have yields in the 2.5-5% range, along with strong dividend growth. By buying such stocks, you can achieve a high yield in the future. Occasionally, you will find a good dividend stock that *already has* a high yield.

In this article, I will explore one such dividend stock that could pay you $26,092 per year if you buy 10,000 shares. This stock has a high enough yield to produce a decent income supplement if you invest a few hundred thousand dollars in it.

To be clear, you should never invest *all* of your money in one stock: you need to diversify to reduce your risk. However, it's worth looking at this stock's dividend to illustrate how much income a diversified portfolio with the same yield could produce.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) is a dividend stock that pays out approximately $2.61 in dividends per share. Its stock price at the time of this writing was $43.56, so it would cost $435,600 to buy 10,000 shares of the stock. If you bought that many, you'd be paid $26,092 per year in dividends (assuming no dividend growth).

PPL stock has a 5.99% yield. Earlier this year, the yield was as high as 6.58%, but it came down when PPL's stock price went up. PPL was profitable in its last few quarters, and oil prices have been rising, so energy stocks have been rising too. Pembina stock has behaved similarly to other oil stocks in that regard.

Nevertheless, its yield is very high, and, furthermore, its dividend is paid out every single month! Monthly dividends don't have much of an effect on your total return, but they can help with paying the bills if you're somebody who lives off of dividend income. So, they're a factor worth considering.

How is PPL doing as a company?

Having looked at PPL’s dividend, we can move on to an analysis of its business.

As its name implies, Pembina Pipeline is primarily a pipeline company. That means that it ships oil and gas across pipes in exchange for a free. This is a very cost-effective way of transporting crude oil — far cheaper than the next-cheapest option, which is crude by rail.

Pembina Pipeline also operates storage terminals, most notably the Prince Rupert Storage Terminal in British Columbia. The facility is used to export propane and other petrochemicals overseas.

Finally, Pembina has a natural gas and crude oil marketing business, which buys and sells petrochemicals in the hopes of selling them for a profit. This is one of PPL’s smaller business units, but it has a lot of growth potential thanks to rising oil prices. When the price of oil goes up, PPL can make more money selling it. Speaking of which, let’s dive into Pembina Pipeline’s financial results.

PPL’s results

In its most recent quarter, Pembina Pipeline delivered the following:

- $3.095 billion in revenue, up 62%
- $711 million in gross profit, up 29%
- $0.70 in earnings per share, up 79%
- $604 million in cash from operations

It was a solid showing. More importantly, the amount of earnings ($419 million) was higher than the amount of dividends paid out ($349 million), meaning that PPL’s dividend is safe and can continue being paid. That doesn’t mean that the dividend is necessarily going to grow, but it should at least keep coming in at the rate it has been.

CATEGORY

1. Investing

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