



1 TSX Energy Stock (With a Monthly Dividend) to Buy Before 2022 Runs Out

Description

A capital-efficient way of creating a passive income stream is by investing in quality dividend stocks with tasty forward yields. Yes, dividend payouts are not a guarantee and can be revoked or suspended at any time. But if you can identify quality companies that generate cash flows across business cycles, you can benefit from a steady stream of predictable income.

Typically, blue-chip dividend-paying companies increase these payouts over time, increasing your effective yield by a significant margin. A few stocks also have a monthly payout providing shareholders with even more flexibility.

One such [TSX energy stock](#) that pays investors a monthly dividend is **Pembina Pipeline** ([TSX:PPL](#)). Let's see why Pembina Pipeline is a top [TSX dividend stock](#) you can own right now.

Pembina Pipeline is a high-yield monthly dividend-paying stock

Pembina Pipeline is a Canadian energy infrastructure company that operates pipelines, storage terminals, export facilities, and processing plants. It basically leases out the capacity to energy companies that utilize these assets. These leases are backed by long-term and fixed-rate contracts making Pembina Pipeline relatively immune to fluctuations in commodity prices.

Due to its steady and predictable cash flows, Pembina Pipeline pays investors a monthly dividend of \$0.2175 per share, translating to a forward yield of 5.61%. In the last 17 years, these payouts have increased at an annual rate of 5.5%.

Pembina Pipeline is part of the highly cyclical energy sector. But its earnings visibility has allowed the company to increase dividend payouts across market cycles.

In the last 20 years, Pembina Pipeline has returned a staggering 1,490% to investors in dividend-adjusted gains. Comparatively, indices such as the S&P 500 and TSX have surged by 540% and 453%, respectively, since November 2002.

An investment of \$10,000 in Pembina stock back in November 2007 would allow you to buy 594 shares of the company. In the next 12 months, you would generate \$855 in dividend payouts, indicating a forward yield of 8.55%. Today, 594 shares would help you earn a yearly dividend of \$1,550, increasing your effective yield to 15.5%.

What's next for Pembina Pipeline stock and investors?

Past returns don't matter much to future investors. You need to evaluate if Pembina Pipeline can keep increasing its cash flows going forward. Higher cash flows should drive dividend growth as well. Pembina continues to invest heavily in capital expenditures to expand its base of cash-generating assets. It has a robust backlog of secured projects to fuel its dividend growth in the near term.

The midstream energy giant has a strong balance sheet, a prudent capital allocation approach, and an investment-grade credit rating. Pembina expects to generate between \$3.6 billion and \$3.7 billion in adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) in 2022. So PPL stock is priced at a very reasonable forward EV/EBITDA (enterprise value to EBITDA) multiple of 10.

Valued at 15 times 2023 earnings, Pembina Pipeline is trading at a discount of 10% to consensus price target estimates. After accounting for its dividend yield, total returns will be closer to 15% in the next 12 months.

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