Buy These 2 Energy Stocks Together for Bigger Monthly Dividends in 2023

Description

Big and small energy players expect the higher energy price environment to extend for another year and hope to reward investors with high returns next year, like in 2021 and 2022. But if you're chasing bigger or increasing monthly dividends in 2023, consider buying **Pembina Pipeline** (TSX:PPL) and **Cardinal Energy Ltd.** (TSX:CJ) together.

The former is a generous dividend payer, while the latter promises to improve its current dividend outlay plan. Both energy stocks are beating the market year to date, and the chances of further price appreciation in the next 12 months are high.

Long growth runway

Pembina Pipeline, a no-nonsense investment, has a strong following among monthly income investors because it's a high-yield dividend aristocrat. The $26.2 billion pipeline operator has raised dividends for 10 consecutive years (a 3.6% hike in the most recent quarter).

This large-cap stock trades at $47.51 per share (+30.30% year-to-date) and pays a fantastic 5.49% dividend (annual). If your financial objective in 2023 is to produce $500 in monthly passive income, 2,301 shares ($109,320.51) should be enough.

Rising energy prices augur well for Pembina Pipeline as it enjoys more robust business demand. Moreover, its diverse and integrated assets have a long growth runway and new opportunities. Revenue and earnings growth were superb in the first three quarters of 2022.

Pembina's top line grew 46.9% year-over-year to $8.9 billion, while the bottom line rose 134.8% to $2.7 billion versus the same period in 2021. In Q3 2022 alone, earnings reached $1.8 billion, representing a 211% jump from Q3 2021. According to management, based on industry activity levels and customer feedback, Pembina's top-line revenue prospects look better than expected.

Furthermore, the synergistic combination of Pembina's high-quality processing platforms should enable efficiencies, enhance customer service offerings, and provide a wide range of commercial opportunities.

Exceptional year

Due to the favourable pricing environment, Cardinal Energy rose to prominence in 2022, along with other small-cap energy stocks. After three quarters of high energy prices this year, the $1.32 billion oil and natural gas company is flush with cash. In the nine months ended September 30, 2022, earnings declined 23% to $188.82 million versus the same period in 2021.

However, cash flow from operating activities and adjusted funds flow soared 267% and 273% year over year to $268.6 million and $294.5 million, respectively. Notably, in Q3 2022, Cardinal lowered its net debt 71% to $62 million. Apart from achieving its debt reduction target, Cardinal reinstated and increased its dividends by 20%.

According to management, the $97 million capital budget in 2023 has significant room for share buybacks and dividend increases. Further, the budget will focus on optimizing the long-life asset base and taking advantage of the low corporate decline rate.

At $8.47 per share, current investors enjoy a 104.8% year-to-date gain on top of the decent 2.36% dividend (annual). Owning 5,105 shares ($43,239.35 investment) of Cardinal Energy will produce $85 in monthly dividends.

More rewards next year

Expect Pembina Pipeline and Cardinal Energy to deliver tremendous financial results if commodity prices remain elevated next year. More importantly, rewards to shareholders could be much higher than in 2022.

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