This 6.3% Dividend Stock Pays Cash Every Month

Description

After witnessing a decline in 2022, the **S&P/TSX Composite Index** showed some recovery in 2023. While the benchmark index is recovering, the macroeconomic environment has not changed much. The inflation moderated a bit but remains high. Meanwhile, macroeconomic uncertainties and fear of an economic slowdown indicate that even fundamentally strong stocks could remain volatile, making it challenging for investors to generate capital gains.

However, on the positive side, Canadian dividend stocks, especially the ones that pay monthly cash, could be solid additions to your portfolio to generate steady income, regardless of the volatility in the market. A steady inflow of dividends boosts your monthly cash balance and enables you to reinvest the same in stocks to create wealth.

Meanwhile, due to the pullback in the prices of dividend stocks, the yield looks even more attractive, providing an opportunity for investors to shield their portfolios against inflation.

Against this background, I'll focus on one of the top Canadian dividend stocks you can buy right now for regular income, irrespective of the volatility in the market.

One dividend stock that pays monthly cash

Before I discuss the stock, let's be clear that dividends are not guaranteed, and even the safest stock carries risk, and the company could announce a cut in their payouts. Thus, investors must carefully analyze a company's fundamentals, earnings-growth potential and focus on the payout history before picking the dividend stock. This way, one can ensure a steady monthly cash inflow for years, irrespective of economic cycles.

Speaking of such fundamentally strong companies that pay monthly cash, **Keyera** (TSX:KEY) comes to my mind. The company operates an integrated energy infrastructure business and could be a great addition to your portfolio for earnings monthly dividend.

The company has a market cap of approximately $6.9 billion, and its stock has remained relatively stable over the past year, despite the heightened volatility in the market. This signifies the strength of its business model. However, what stands out is its attractive dividend yield of about 6.3% based on the closing price of $30.36 on February 9.

Why is Keyera a dependable monthly income stock?

Being an integral part of the energy value chain, Keyera witnesses high utilization of its assets. Meanwhile, through its Gathering and Processing and Liquids Infrastructure business, it provides energy infrastructure solutions on a fee-for-service basis. This ensures stability and helps generate solid distributable cash flows (DCF).

Keyera’s dividend payouts are tied to the growth in its DCF. Notably, Keyera’s DCF/share grew at an average annualized rate of 8% from 2008. During the same period, the company raised its dividend by about 7% annually.

While Keyera has a solid dividend payment and growth history, its target payout ratio of 50-70% of the DCF is sustainable in the long term.

Keyera’s earnings are growing, reflecting strong demand for its assets. Meanwhile, the company projects its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) to grow at an average annualized rate of 6-7% through 2025.

Meanwhile, its KAPS (Key Access Pipeline System) is 90% complete and will be operational soon, providing additional growth opportunities for the company.

Bottom line

Keyera’s high-quality assets, strong balance sheet (low leverage ratio of 2.9 times net debt/adjusted EBITDA), growing earnings base, and sustainable payout ratio make it a reliable stock to earn passive income every month.

CATEGORY

1. Dividend Stocks
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snahata