TransCanada Reports Rising Profit, Increases Dividend

Description

"Because the governor's actions of Jan. 22, 2013, in approving the Keystone XL Pipeline route were predicated on an unconstitutional statute, the court also finds the governor's actions in that regard must be declared null and void."

With that ruling, judge Stephanie Stacy overturned legislation that allowed Nebraska's governor the power to approve the route for **TransCanada Corp's** (TSX:TRP)(NYSE:TRP) Keystone XL pipeline through the state. Nebraska's attorney general will appeal the ruling, but many experts are now predicting that President Obama will this as an excuse to delay his decision on whether to approve the pipeline.

Thus it seemed like perfect timing when TransCanada reported results the following day. And while earnings did increase by 37%, the gain was only 27% on an adjusted basis. Comparable earnings came in at 58 cents per share, one cent short of analyst estimates. For the full year, comparable earnings increased 19%, coming in at $2.24 per share. The company's shares sank by a little more than 2% on the day.

The quarterly results were not enough to overshadow judge Stacy's ruling, which stated that the decision to approve the route actually belonged to Nebraska's Public Service Commission, not the governor. On the conference call, CEO Russ Girling did say that 'this is a solvable problem" and that TransCanada is weighing various options. The company could either wait for the appeal to play out or could go ahead and file an application with the Public Service Commission. Either way, this ruling represents yet another roadblock in what has been a very long process.

On a positive note, TransCanada is still well on track with the rest of its $38 billion worth of capital projects. The company also raised its quarterly dividend for the 14th straight year, to 48 cents per share. The stock now yields almost 4%, comparing favourably with rival **Enbridge** (TSX:ENB)(NYSE:ENB), which yields just under 3%.

Foolish bottom line

Despite all the noise from TransCanada over the past week, the fundamentals remain the same. Just like Enbridge

, the company still operates critical infrastructure, which leads to generating safe, predictable earnings. This has allowed the company to put a lot of debt on its balance sheet – its debt to equity ratio is over 100% – while still remaining financially secure. It also allows TransCanada to pay out a very large proportion of its income as dividends; the $1.92 annualized dividend equals about 85% of last year's comparable earnings.

In Canada, companies with smooth earnings and consistently increasing dividends are usually hard to find. For investors that are looking for these attributes, TransCanada remains a compelling option.

CATEGORY

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