



TransCanada Corporation: This Oil Stock Is Gushing Dividends

Description

Pipelines have a reputation for being dull, stodgy investments. They might be good for generating reliable income, but not much in the way of excitement.

TransCanada Corporation ([TSX: TRP](#))([NYSE: TRP](#)) shareholders would beg to differ. Over the past decade, the Calgary-based company has delivered a sizzling total return of 135%, crushing the **S&P/TSX Composite Index's** 90% gain over the same period.

And to the delight of income investors, the stock is gushing dividends. Over the past decade, TransCanada has boosted its distribution 65%. Today, the company pays a quarterly dividend of \$0.48 per share, which comes out to an annualized yield of 3.3%.

Can TransCanada keep those dividend hikes coming? Yes, given the economic tailwinds behind the company.

As regular readers know, North America is in the midst of an energy boom. Thanks to the spread of new techniques like horizontal drilling and hydraulic fracturing, previously unrecoverable oil and gas is now being pulled out of shale fields across North America. This has created energy booms in dozens of places across the continent that sit on top of these shale beds.

But that's nothing compared to what could happen next. This year the United States is expected to surpass Saudi Arabia as the world's largest oil producer. Canadian energy output is projected to hit 6.4 million barrels per day by 2030, almost double today's output.

Companies that are able to collect, ship, and store all of these hydrocarbons are poised to make a fortune. And TransCanada is positioned to do exactly that. The company has a remarkable \$38 billion in commercially secured expansion projects — almost 100% of its current market capitalization — on the books.

That includes hundreds of miles of pipelines and expansions to existing capacity. In total, TransCanada has 15 new projects planned. Altogether, analysts project the company's earnings (and by rough extension its dividend) to grow at a 15% compounded annual clip over the next five years.

Of course, TransCanada is no slam dunk. The company's Keystone XL pipeline, which would ship more than 800,000 barrels per day of bitumen from Alberta to U.S. Gulf Coast refineries, remains in regulatory limbo.

That said, TransCanada is finding alternative expansion avenues. The company plans to file an application with the National Energy Board later this year to construct its proposed Energy East pipeline. If approved, the project would ship 1.2 million barrels per day of Alberta crude to refineries as far away as New Brunswick, single-handedly replacing Keystone XL.

Investors should be rewarded handsomely given the company's steady cash flows and backlog of expansion projects. That's why I think TransCanada deserves a spot in any income portfolio.

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1. Dividend Stocks
2. Investing

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1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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