



3 Big Reasons to Buy TransCanada Corporation Right Now

Description

TransCanada Corporation ([TSX: TRP](#)) ([NYSE: TRP](#)) has recently had a nice move higher but new investors are still wondering if the stock is a safe bet given the challenges facing oil producers.

Here are three reasons why I think dividend investors should consider buying TransCanada right now:

1. Capital projects

Energy East and Keystone are important projects to take under consideration when looking at TransCanada, but they are simply icing on the cake.

North America is undergoing an energy renaissance as new technology has unlocked record levels of oil and gas trapped in shale formations. This abundance in resources is putting pressure on domestic prices and driving producers to search for innovative ways to get the product to the coast where it can be shipped to more lucrative international markets.

TransCanada's project pipeline reflects these changes in the industry. Its new Merrick Mainline Pipeline is a perfect example. The \$1.9 billion project will carry natural gas to the Kitimat LNG Terminal in British Columbia.

Another infrastructure project is the \$2.7 billion NGTL System Expansion. Northwestern Alberta and northeastern B.C. are experiencing a boom in unconventional gas plays. TransCanada is adding 540 km of new pipelines, seven compressor stations, and 40 meter stations to accommodate demand to move an additional 4.0 billion cubic feet per day (Bcf/d) of natural out of the region.

Mexico is also a hot spot for pipeline growth. A US\$600 million expansion of TransCanada's Tamazuncale Pipeline should be completed by the end of 2014.

TransCanada is primarily known for transporting natural gas but it is focusing more on moving oil and gas liquids. Along with Keystone XL and Energy East, TransCanada has two big liquids projects under development in Alberta to move oil sands production. Both will be completed and in service by the end of 2017.

In its Q3 2014 earnings statement, TransCanada said it has a total of \$46 billion in capital projects under development. The great thing for investors is that all of these investments are commercially secured projects backed by long-term contracts or cost-of-service business models. The entire backlog includes \$24 billion of liquids pipelines, \$20 billion of natural gas pipelines and \$2 billion of power generation projects.

2. Diverse assets

TransCanada also operates a large energy production and transmission division with 21 power plants. The group is expected to deliver strong earnings in 2015 as power prices improve in Alberta, and the Bruce Power facility operates at full capacity.

The company is also the third-largest natural gas storage provider in North America, with storage capacity of more than 400 Bcf.

3. Dividend growth

Income investors love TransCanada for its dividend growth, and that trend is set to continue. The company plans to increase dividends at a rate that matches or exceeds the growth in cash flows as new assets come on line. Most of the current capital projects will be completed and in service by 2020.

TransCanada pays a dividend of \$1.92 per share that yields about 3.5%. For income investors, this company is tough to beat, but you might want to read the free report discussed below to discover one more top dividend-growth stock that investors can count on.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Energy Stocks
2. Investing

Date

2025/09/13

Date Created

2014/11/27

Author
aswalker

default watermark

default watermark