



Billionaire George Soros Bought 147,000 Shares of TransCanada Corporation; Should You Buy, Too?

Description

It's my favourite way to invest in the resource sector, and apparently George Soros agrees with me: pipeline and power giant **TransCanada Corporation** ([TSX: TRP](#)) ([NYSE: TRP](#)).

The stock is an unusual bet. TransCanada's flagship Keystone XL pipeline remains mired in delays. The company has moved on to new expansion avenues, but these have mostly failed to gain much headway.

As a result, TransCanada shares have staggered. And today, the stock trades at a steep discount relative to its peers. But that could soon change.

Could TransCanada hit \$75?

Behind the scenes, TransCanada has become a target of hedge funds looking to break up the company. Reuters has reported that some of TransCanada's largest shareholders have been contacted by activists interested in shaking up the company, citing people close to the matter.

And there's no shortage of ideas. In a letter published last month, U.S. hedge fund Sandell Asset Management argued that TransCanada should spin off its power business. It believes TransCanada's pipeline assets don't need to be under the same corporate umbrella as its utility operations.

"In a separation, we believe the energy business will be able to attract world-class management to manage upcoming opportunities and challenges and attract dedicated shareholders and sell-side analysts who can best analyze the underlying drivers of the business," Sandell wrote.

"Furthermore, as a standalone entity, TRP's stable pipeline business will be insulated from energy's more volatile cash flows and exposure to uncertainties in the Alberta power market, yielding a higher, more industry-comparable multiple for the pipeline business."

How much could TransCanada be worth in a breakup scenario? Sandell believes if TransCanada follows its recommendations, the company could be worth as much as \$75 per share. That's about

35% higher than the stock's closing price on Thursday.

TransCanada, to its credit, is trying to appease shareholders. In November, management announced plans to move all of its U.S. natural gas pipelines into a master limited partnership. This move could save the company millions of dollars annually in taxes.

Executives also plan to ramp up the distribution. Chief Executive Russ Girling promised to double the company's dividend growth rate to 8% per year through 2017. However, these measures may not be enough to fend off activists.

George Soros bought 147,000 shares of this pipeline company

Given all of this hedge fund activity, it appears Soros is also getting a piece of the action. In recent SEC filings, the billionaire investor disclosed that he owned 147,000 TransCanada shares. As of September, that represented an investment stake of US\$7.6 million.

What's interesting is that Soros paid between \$52 and \$58 per share for his recent acquisitions, roughly in line with the current stock price. That means you have the chance to buy this stock on the same terms as Soros.

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