



Dividend Investors: 3 Reasons to Buy TransCanada Corporation in 2015

Description

Scan the top holdings of income funds and one stock comes up again and again: **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)).

The company has become a core holding for dividend investors and it's not hard to see why. TransCanada is your classic Forever Stock: a giant, recession proof business that has rewarded shareholders for generations.

That's why this stock is counted on by so many to deliver steady dividend income. So if TransCanada isn't in your portfolio already, here're three reasons to buy this company in 2015.

1. Monster moat

Warren Buffett is often asked, what is the most important trait he looks for in a business? His answer is always the same: a big, wide moat.

Think of a moat like a trench around the business that protects it from rivals. It's some sort of competitive advantage that allows a business to earn excess returns year after year. And TransCanada has dug a moat around its business a mile wide and filled it with angry alligators.

The company's main operations — oil pipelines and power transmission — are natural monopolies. It just doesn't make sense to have two competitors serving the same market. This means TransCanada can earn profits over decades without the fear of rivals eating into margins.

2. Gargantuan growth

The continent is on the path to energy independence. Thanks to new shale drilling techniques, billions of barrels of oil and gas are being pulled out of once dormant fields across North America. By 2030, the U.S. could completely wean itself off of energy imports.

Companies that ship and store all of these hydrocarbons are poised to make a fortune. To accommodate surging production, TransCanada has dozens of projects slated. This includes new

processing facilities, hundreds of storage terminals, and thousands of miles of pipeline extensions.

Forget about Keystone XL. Even without the controversial pipeline, TransCanada has over \$36 billion in secured growth projects on the books. Altogether, analysts predict that the firm will be able to increase earnings at a 10% annual clip over the next five years.

3. Dependable dividends

You could almost think of TransCanada's business as a toll road. The company charges a fee on every barrel that flows through its network. So while energy prices can be volatile from year-to-year (heck, even day-to-day), the actual volumes of crude being transported through their pipelines are incredibly steady.

Pipelines require almost no maintenance or labour. They don't care about wars or depressions. Pipelines just sit there, buried deep underground, delivering crude and spitting out cash flow.

That means TransCanada's dividends are about as consistent as bond coupons. Today, the company pays a quarterly distribution of \$0.48 per share, which comes out to an annual yield of 3.5%. However, given the tailwinds behind the firm, you can expect that payout will grow significantly in the years ahead.

The bottom line, when you own a stock like TransCanada, you no longer have to worry about things like recessions or oil prices. You can literally hold it, not just for 2015, but for the rest of your life.

My advice: buy it, stick the certificates in a drawer, and let this stock make you rich.

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