

# More Bad News for TransCanada Corp.: Is it a Worthwhile Investment Without the Keystone XL Pipeline?

## Description

The bad news surrounding **TransCanada Corp.'s** ([TSX:TRP](#))([NYSE:TRP](#)) Keystone XL pipeline continues, with President Obama vetoing the Keystone bill. This news has alarmed investors, it is a blow for TransCanada, but even so, I believe that the Keystone XL pipeline remains a solid investment opportunity.

## So what?

The Keystone XL pipeline forms an important part of TransCanada's plans to expand its pipeline network. On completion, it would boost its crude liquids transportation capacity, reducing its dependence on natural gas transportation as a means of generating earnings.

However, even without the pipeline, TransCanada has consistently posted solid operational and financial results. For 2014, TransCanada's net income shot up by almost 2% year-over-year, while EBITDA jumped an impressive 14% for the same period. This can be attributed to higher earnings from TransCanada's key assets, including the Keystone pipeline system, as well as the Canadian Mainline, and Mexican, U.S., and international pipelines.

More importantly, I expect earnings from those assets to continue to grow over the longer term. This is because TransCanada's pipeline network forms an integral link between the energy patch and refining markets.

Despite the rout in crude, the demand for pipeline capacity continues to increase because there is a shortage of pipeline capacity at this time. Over the long term, demand for crude will grow, boosting both its price and production.

Even without the Keystone XL pipeline, TransCanada has a significant portfolio of projects under development as part of its \$46 billion capital growth plan. These projects range in size and are in varying stages of development, with completion planned for 2020. Upon completion, these projects will increase the capacity of TransCanada's pipeline network, allowing it to effectively increase the volume of tolls that it collects on each barrel of crude and cubic metre of natural gas that it ships.

This will sustain TransCanada's long-term earnings growth and additional dividend hikes. TransCanada has already hiked its dividend every year since commencing payments in 2000, and this now sees it rewarding patient and loyal investors with a sustainable and juicy 3.9% yield.

There have also been a range of overtures to TransCanada from activist investors who want to know to how to unlock further value from its portfolio of assets. At this time, TransCanada has opted to take a conservative approach to generating further value for investors, but this information highlights the opportunities available.

## Now what?

TransCanada is attractively priced compared to its main rival **Enbridge Inc.**, with a price-to-book ratio of two compared to Enbridge's five, and an enterprise value (EV) of 14 times EBITDA compared to Enbridge's 24 times. This, in conjunction with its solid-growth prospects—even without the Keystone XL pipeline—makes it the perfect addition to any long-term investment portfolio. Even more so when its history of rewarding investors through a steadily appreciating dividend is considered.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

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