3 Reasons to Buy TransCanada Corporation After the Keystone Decision

Description

There's no shortage of news stories concerning **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) these days, but they all seem to concern the Keystone XL pipeline. That said, there's a lot more to TransCanada than just Keystone. So, what is an investor to do?

Here's one idea: wait until *after* President Obama makes his decision. Then buy the shares. Below are three reasons why you should wait.

1. Keystone's prospects don't look good

At this point, there are quite a few reasons to believe that President Obama will reject Keystone. First of all, the drop in crude prices makes oil sands projects more marginal. Remember, an original argument in favour of Keystone was "the oil sands will be developed either way." Nowadays that's not necessarily true, and rejecting Keystone could put a dent in oil sands growth, furthering the president's climate agenda.

Second, there's limited financial gain for the United States from Keystone. There would be very few permanent jobs, much of the refined product would be exported, and the U.S. isn't exactly short of oil right now. The president has been emphasizing these points in recent speeches—he may be looking to soften the political backlash from rejecting the pipeline.

It's difficult to say if a Keystone rejection would crush TransCanada's shares. After all, Canadian oil producers will actually feel the effects more than TransCanada. Still, US$2.4 billion has been spent on the project thus far, nearly 8% of the company's market value. So, a Keystone rejection could put a serious dent in the company's share price.

2. Still plenty of growth opportunities

Even without Keystone, TransCanada has plenty of ways to spend its money. The company has a total of US$46 billion worth of commercially secured projects, or $38 billion, not including Keystone. Remember, there's still plenty of need for pipeline infrastructure, even with the current drop in oil prices.

TransCanada's other projects are unlikely to run into the same hurdles that Keystone has, so shareholders can look forward to plenty of long-term growth.

3. A reliable dividend grower

Finally, TransCanada is reliable dividend raiser. For example, the company has grown its annualized dividend from $0.80 to $2.08 from 2000 to 2015. During this time, the payout has been raised every single year.

Looking ahead, TransCanada expects to raise its dividend by 8% per year through to 2017, and there are reasons to believe that this is doable. One, the company has a very stable business model. Two, there are plenty of growth projects. Three, TransCanada can continue to transfer its U.S. assets to a Master Limited Partnership, which saves on taxes. The company performed one of these transactions on Wednesday and raised over US$250 million in cash.

With all this information in mind, I would wait until the pipeline decision is made (and it will likely be a rejection), and then buy TransCanada.

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