



## Dividend Investors: Should You Buy TransCanada Corporation Right Now?

### Description

**TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) has picked up a bit of a tailwind in the past two weeks and investors are wondering if this is the time to get into the stock.

Let's take a look at the pipeline giant to see if it deserves some of your hard-earned money.

### Growth projects

Revenue growth depends on TransCanada's ability to build new pipeline, storage, and energy projects.

Most of the attention in recent years has been focused on TransCanada's battle to get the northern leg of Keystone XL approved. Costs for the project have skyrocketed and there is still no guarantee that the pipeline will ever get built. TransCanada says its Keystone XL customers are still on board, despite the added costs. At this point, investors shouldn't factor Keystone in when making a decision to invest.

Energy East is TransCanada's other major project. At a cost of \$12 billion, TransCanada hopes to have a made-in-Canada solution to move landlocked western Canadian oil to the east coast where it can then be shipped to lucrative international markets. The prospects for Energy East are probably better than Keystone right now, and I think the pipeline will get built.

These mega-projects are important, but new investors should focus on the smaller ones when deciding to invest in the company. In its Q4 2014 earnings statement, TransCanada said it has \$46 billion in commercially secured gas and liquids projects in the pipeline. About \$12 billion in small- to medium-sized assets will be completed and in service by 2017. Another \$34 billion could be generating revenue by 2020.

TransCanada plans to sell its U.S. natural gas pipeline assets to TC Pipelines L.P., which is a newly created master limited partnership. This process of "dropping down" assets is a popular way for energy infrastructure companies to raise the funds needed to build and complete new projects. TransCanada said it expects to move as much as \$1 billion in assets per year into the new entity.

## Earnings stability

TransCanada recorded net income of \$1.7 billion, or \$2.46 per share, in 2014. This was slightly ahead of the 2013 numbers and the company expects further growth in the current year.

TransCanada's gas pipelines in the U.S. should deliver solid results, supported by new multi-year contracts to carry gas out of the busy Utica/Marcellus shale plays.

The Canadian gas pipelines are also in good shape. TransCanada is expanding its NGTL System to transport gas from northeastern B.C. and western Alberta. This should provide a boost to earnings this year and help offset lower revenues from the Canadian Mainline.

The liquids pipelines are expected to generate flat year-over-year earnings.

TransCanada also has a large electricity generation business. The company says these assets will produce flat or slightly lower earnings in 2015.

## Dividends

TransCanada pays a dividend of \$2.08 per share that yields about 3.7%. The company just increased the payout by 8% and investors should see consistent increases moving forward as new projects go into service.

## Should you buy?

The shares are a bit expensive compared to the five-year average, but the stock offers income investors stability in a volatile market. As a long-term holding, TransCanada looks like a solid bet.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:TRP (Tc Energy)
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