



## Could Dividend Champion TransCanada Corporation Trade for \$70 in 2017?

### Description

Finding reliable dividend stocks in Canada is not an easy thing to do. So many of our largest dividends come from companies on shaky ground, and low interest rates are driving up the prices of more reliable payouts. What's a dividend investor to do?

Luckily, you can still find some solid dividends with decent yields if you're willing to look hard enough. One such dividend comes from **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)). We show what makes this company such a great option for income-oriented investors below.

### A reliable business model

Rather than produce energy, TransCanada is in the business of transporting it through pipelines. This distinguishes the company from energy producers in some very important ways.

Most importantly, TransCanada's revenue come from long-term contracts, ones that don't expose the company to commodity prices. This is a major difference from energy producers, who must hope for strong energy prices every year.

Secondly, TransCanada doesn't have to worry about an increased energy supply driving down prices. This energy will still need to be moved, and pipelines are the best way to move oil (and the only practical way to move natural gas). So, TransCanada's game plan is very simple: build more pipelines, secure them with long-term contracts, and rake in cash. There's far less uncertainty in this strategy than energy producers have to face.

As a bonus, TransCanada can continue to grow earnings by transferring its American assets to its Master Limited Partnership. That will help the company save taxes in the years ahead.

Thus, TransCanada is an ideal dividend-growth stock, and its track record reflects this. Since 2000 its dividend has increased every year by an average of 7%. This kind of track record isn't easy to find.

### A look ahead

TransCanada expects to grow its dividend by at least 8% per share through to 2017, and history suggests this is a very reasonable target. That would put its quarterly dividend at just over 60 cents per share, good enough for a 4.8% yield based on today's stock price.

Of course, TransCanada is unlikely to yield this much, not with interest rates so low. And if the Canadian economy continues to struggle, investors may be even more drawn to a safe name like TransCanada. It's not impossible to imagine a 3.5% yield for the company.

Thus, there's a lot of upside for TransCanada's shares. If the company achieves its 8% dividend-growth goal, and then yields 3.5%, its shares will trade for nearly \$70. That's a return of over 20% per year, including the dividend.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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## Date

2025/07/21

## Date Created

2015/07/21

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