



TransCanada Corporation Finally Resolves its Whistleblower Allegations. What Now?

Description

Between 2014 and early 2015, 16 whistleblower allegations were leveled against **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)). Among other things, they included complaints of a pipe that was exposed for a year, the competence of welders working on an Alberta pipeline, and a worker failing to wear the proper safety gear on site.

Last week, the National Energy Board released the results of their investigation, finding that the environment and public safety were not at risk and no enforcement action was required. It said the matter is now closed.

Whistleblower issues have shown an ability to take down even the largest companies, the most famous example being Enron. Although TransCanada's allegations were much milder, the resolution of these issues should allow investors to focus more on the company's fundamentals. How should you view an investment in TransCanada stock today?

Despite energy exposure, TransCanada is a very stable business

TransCanada is an energy infrastructure operator. It primarily owns pipelines for natural gas and crude oil. Because they operate with a toll-road structure, this business does not swing with nearly as much volatility as energy producers. TransCanada gets paid largely on volumes, not the price of the commodity.

This has proven to be a lucrative business. Since 2000, investors have experienced a total compound annual return of over 12%. Over that time, its stock has appreciated to \$45 from \$10, with dividends more than doubling from \$0.80 a share to \$2.08.

Growth initiatives remain despite lower energy prices

As mentioned, TransCanada is primarily paid on volumes, not the price of the underlying commodity. That's why, despite the precipitous fall in natural gas and oil prices, the company still anticipates growing EBITDA by 8% a year through 2017.

This rapid growth is fueled by a massive project pipeline worth over \$46 billion. Its finance-secured projects include \$20 billion of natural gas pipelines, \$25 billion in other liquids pipelines, and \$1 billion of power-generation facilities. Every project is backed by long-term contracts or a regulated cost-of-service business model.

Large scale projects that follow the company's historical formula of success ensure continued growth over the next few years. By 2020, TransCanada expects to grow assets from roughly \$60 billion to over \$90 billion, comprising 69,000 kilometers of natural gas pipelines, 11,600 kilometers of other liquids pipelines, and 19 power plants with 11,200 megawatts of generation.

The recent dip gives income investors a reliable dividend with plenty of growth

Despite TransCanada's mitigated exposure to the fall in energy prices, the market has still lumped it together with other energy producers. Since May of this year, the stock is down roughly 15%, boosting the dividend yield to 4.7%.

If management can execute on its massive project pipeline that extends through 2020, there should be plenty of opportunities to grow this already attractive income stream. If you're looking for income with future upside potential, today's valuation on TransCanada shares looks to be a bargain.

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

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