



TransCanada Corporation or Inter Pipeline Ltd.: Which Is the Better Buy Today?

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) and **Inter Pipeline Ltd.** (TSX:IPL) are two of North America's largest owners and operators of natural gas and crude oil pipelines and storage facilities, and both of their stocks represent very attractive long-term investment opportunities today.

However, the laws of diversification clearly state that we cannot have both in our portfolios, so let's take a closer look at each company's earnings results in the first nine months of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today.

TransCanada Corporation

TransCanada's stock has fallen over 25% year-to-date, including a decline of over 3.5% since it released its earnings results for its three- and nine-month periods ending on September 30, 2015 on the morning of November 3. Here's a summary of eight of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Comparable net earnings increased 8.1% to \$1.3 billion
2. Comparable earnings per share increased 8.2% to \$1.84
3. Revenue increased 11.6% to \$8.45 billion
4. Wholly owned pipeline delivery volumes decreased 1% to 19.3 billion cubic feet per day
5. Comparable earnings before interest, taxes, depreciation, and amortization increased 9.5% to \$4.38 billion
6. Funds generated from operations increased 8.5% to \$3.35 billion
7. Net cash provided by operations decreased 10.9% to \$2.98 billion
8. Total assets increased 11.5% to \$65.73 billion

At today's levels, TransCanada's stock trades at 17.3 times fiscal 2015's estimated earnings per share of \$2.46 and 16.1 times fiscal 2016's estimated earnings per share of \$2.65, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.7.

In addition, TransCanada pays a quarterly dividend of \$0.52 per share, or \$2.08 per share annually, giving it stock a 4.9% yield. It is also very important to note that it has raised its dividend for 15

consecutive years.

Inter Pipeline Ltd.

Inter Pipeline's stock has fallen over 31% year-to-date, including a decline of over 1% since it released its earnings results for its three- and nine-month periods ending on September 30, 2015 after the market closed on November 5. Here's a summary of eight of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Net income increased 20.4% to \$325 million
2. Earnings per diluted share increased 11.3% to \$0.89
3. Revenue increased 4.7% to \$1.22 billion
4. Total pipeline throughput volumes increased 14.5% to 1.23 million barrels per day
5. Adjusted earnings before interest, taxes, depreciation, and amortization attributable to shareholders increased 34.8% to \$675.4 million
6. Funds from operations increased 39.2% to \$562.7 million
7. Cash provided by operating activities increased 29.9% to \$526.6 million
8. Total assets increased 4.2% to \$9.01 billion

At today's levels, Inter Pipeline's stock trades at 19.3 times fiscal 2015's estimated earnings per share of \$1.28 and 17.4 times fiscal 2016's estimated earnings per share of \$1.42, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 29.8.

In addition, Inter Pipeline pays a monthly dividend of \$0.13 per share, or \$1.56 per share annually, giving its stock a 6.3% yield. It is also very important for investors to note that it has increased its dividend for seven consecutive years.

Which stock is the better buy today?

Here's how each company stacks up when comparing their earnings results, their stocks' valuations, and their dividends:

Metric	TransCanada	Inter Pipeline
Earnings Strength	2	1
Forward Valuations: 2015	1	2
Forward Valuations: 2016	1	2
Dividend Yield	2	1
Dividend Growth	1	2
Average Ranking	1.4	1.6

As the chart above shows, Inter Pipeline posted stronger earnings results in the first nine months of fiscal 2015 and it has a higher dividend yield, but TransCanada's stock trades at more attractive forward valuations and it has a much more extensive track record of increasing its annual dividend payment, giving it a narrow victory in this match up. Foolish investors should take a closer look and strongly consider initiating positions today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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

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