



3 Reasons to Own TransCanada Corporation

Description

The oil rout has taken a toll on the energy sector, and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) hasn't been spared.

Here are the reasons why long-term investors should consider buying the stock while it is out of favour.

1. Revenue growth

President Obama might have rejected TransCanada's Keystone pipeline, but the company has other growth opportunities.

TransCanada expects to complete \$13 billion in near-term projects through 2018. As those new assets go into service, investors will see a nice boost in revenue and cash flow, which should translate into continued dividend growth.

In addition, the company is advancing \$45 billion in commercially secured projects that have completion targets in the medium to long term.

Energy East is the largest of these assets and is the one project that is attracting the most attention from investors and the media. At a price tag of \$15.7 billion, the massive project will connect western Canadian oil producers to refineries on the east coast.

The pipeline is a political hot potato, and recent pushback from Quebec has investors wondering if the federal government, provinces, and affected local communities will be able to reach a deal.

TransCanada might not get Energy East completed by its original 2020 target date, but I believe the project will eventually go ahead, and that isn't fully priced into the stock at this point.

Opportunities also lie outside of Canada. TransCanada recently won a US\$500 million contract to build, own, and operate a natural gas pipeline in Mexico. The company has a strong track record in the country, and the Mexican government is keen to expand its energy infrastructure.

Acquisitions in the U.S. are another option to drive growth. A *Reuters* report recently indicated

TransCanada is in talks to purchase Texas-based **Columbia Pipeline Group**. That deal could be worth more than US\$10 billion.

One way or another, TransCanada will continue to grow its asset base over the long term, and investors should continue to reap the benefits.

2. Dividend growth

TransCanada has increased its dividend for 16 straight years, and investors should see the trend continue. In fact, management plans to boost the payout by 8-10% through 2020. The company just raised the quarterly distribution by 9%, and investors who buy the stock today can pick up a yield of 4.8%.

3. Share buybacks

Investors often focus heavily on dividend payments, but share buybacks are also important.

Why?

Every repurchased share results in a bigger piece of the pie for the remaining stockholders. Pipeline companies are not known for buying back stock, but TransCanada said it recently repurchased 7.1 million common shares.

Investors should see the move as an indication that management believes the price drop is overdone.

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