



## Dividend Investors: Is it Time to Buy TransCanada Corporation?

### Description

**TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) had a rough 2015, but the stock has recovered in recent months, and investors want to know if more upside is in the cards.

Let's take a look at the current situation to see if the pipeline giant deserves to be in your portfolio.

### Growth opportunities

The oil rout and President Obama's rejection of the Keystone XL pipeline hit TransCanada hard last year, but energy prices are on the mend, and TransCanada still boasts an impressive development portfolio.

In fact, the company is working on \$13 billion in near-term projects that should be completed by 2020. The new assets will provide a solid boost revenue in the coming years, and dividend growth is expected to continue at a healthy clip.

TransCanada also has \$45 billion in medium to long-term commercially secured projects, including US\$8 billion for Keystone XL and \$15.7 billion for Energy East.

The market assumes Keystone XL is dead, but a Republican win in the 2016 election could put the project back on the table. As for Energy East, the Canadian government appears to be committed to getting the pipeline built, and progress has been made with some of the provincial and local stakeholders. More work has to be done, but I think Energy East will eventually get the green light.

### Acquisitions

TransCanada recently announced plans to acquire **Columbia Pipeline Group** for US\$13 billion. The deal gives TransCanada a strategic foothold in the growing Marcellus and Utica shale plays in the U.S. as well as an important pipeline system that extends from Appalachia to the Gulf Coast.

The deal is expected to close in the second half of 2016, and investors should start to see the benefits next year.

### **Dividend strength**

TransCanada is one of Canada's top dividend-growth stocks. The annualized payout has grown from \$0.80 per share in 2000 to the current distribution of \$2.26.

Management is committed to raising the payout by 8-10% per year through 2020, and that could turn out to be a conservative target given the addition of Columbia to the asset base.

### **Should you buy?**

TransCanada isn't as cheap as it was six months ago, but the stock remains an attractive pick. The dividend currently offers a decent 4.3% yield, and investors are looking at significant distribution growth over the next four years.

If positive news comes out on Energy East, the shares could pick up an additional tailwind.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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

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