



Dividend Investors: Should You Buy TransCanada Corporation or Royal Bank of Canada?

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) are two of Canada's top dividend stocks. Is one a better pick right now?

TransCanada

TransCanada had a rough 2015 as the oil rout and President Obama's rejection of the Keystone XL pipeline sent investors running for the exits.

The sell-off eventually got out of hand, and bargain hunter started moving back into the stock. Year-to-date TransCanada is up a solid 22%.

Keystone is an important project, but TransCanada has other growth opportunities. The company plans to put \$13 billion in near-term projects into service by 2019. That should boost revenue and cash flow enough to justify annual dividend increases of 8-10% through 2020.

TransCanada is also growing through acquisitions. The company recently announced plans to buy Columbia Pipeline Group for US\$13 billion in a deal that will give TransCanada a foothold in the Marcellus and Utica shale plays as well as a strategic pipeline system that runs from Appalachia to the Gulf Coast.

In Mexico, TransCanada just won a US\$2.1 billion pipeline contract and further growth is expected in the country as it ramps up spending on its energy infrastructure.

Here in Canada, the Energy East project is slowly moving along. More work is required to get all of the local and provincial stakeholders on board, but I think the pipeline will eventually be built.

TransCanada pays a quarterly dividend of \$0.565 per share that yields 4.1%.

Royal Bank

Royal Bank is a profit machine. The company generated just under \$10 billion in earnings last year in a “challenging” economic environment for Canadian banks.

The secret to the company’s success is largely attributed to its balanced revenue stream. Royal Bank relies heavily on retail banking, but it also has strong insurance, wealth management, and capital markets divisions that round out the business.

Going forward, investors should also see growing contributions from the U.S. business. Royal Bank recently purchased California-based City National, a private and commercial bank focused on high-net-worth clients. The acquisition provides Royal Bank with a solid platform to expand its reach into this segment of the American market.

The company has a long history of dividend growth, but some analysts expect smaller increases in the medium term. The current distribution offers a yield of 4.2%.

Which should you buy?

Both stocks are solid buy-and-hold picks even after the big rally in recent months. At the moment, I think TransCanada offers more upside potential and should outpace Royal Bank on dividend hikes over the next few years.

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1. Bank Stocks
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4. Investing

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1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TRP (Tc Energy)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TRP (TC Energy Corporation)

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