



Dividend Investors: Should You Buy TransCanada Corporation Today?

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) has staged an impressive recovery in 2016, and dividend investors who missed the rally want to know if more big gains are on the way.

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

Recovering from a dismal 2015

Last year was a tough one for TransCanada as the rout in oil prices and President Obama's rejection of the Keystone XL pipeline sent investors running for the exits.

The sell-off really got out of hand by the end of the year, and savvy investors who stepped in below \$45 per share are looking at some sweet gains as well as a fantastic yield on their initial investment.

What's going on?

The recovery in oil prices has drawn investors back into the broader energy space, but TransCanada is specifically looking much more attractive as a result of some major developments.

The company recently announced plans to acquire Columbia Pipeline Group for US\$13 billion. The deal gives TransCanada a strong foothold in the important Marcellus and Utica shale plays as well as a strategic pipeline network running from Appalachia to the Gulf Coast.

Organic growth also remains robust despite the difficult times in the oil sector.

In the Q1 2016 earnings report TransCanada indicated it had \$13 billion in near-term projects on the go that would be completed by 2019. As the assets go into service, revenue and cash flow should increase enough to support annual dividend growth of at least 8% through 2020.

Demand for new pipelines might be slow in Canada and the United States, but the company is seeing strong growth in other areas. Mexico just awarded TransCanada a US\$2.1 billion pipeline contract, and more wins in the country could be on the way as Mexico ramps up expansion of its energy

infrastructure.

What about the major projects?

Keystone is on the shelf, but a Republican win in this year's election could put the project back on track.

Here in Canada the company's Energy East pipeline continues to move along. A lot of work still has to be done to get the various provincial and local stakeholders on board, but progress is being made, and I think the project will eventually be built.

At the moment, the potential revenue gains from Keystone and Energy East still aren't fully priced into the stock.

Should you buy?

The easy money has already been made, but dividend investors with a buy-and-hold strategy should do well buying TransCanada at the current price. You can still pick up a yield of 4% and benefit from strong distribution growth in the coming years.

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Date

2025/09/12

Date Created

2016/06/22

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