



Is TransCanada Corporation a Must-Buy Going into 2017?

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) is very well equipped to have a fantastic new year thanks to Justin Trudeau's support and an open-minded Donald Trump, who is willing to accept the terms to the Keystone XL pipeline after a resubmission process.

The stock is trading at a very reasonable valuation at current levels and is expected to be an outperformer next year thanks to many catalysts like the Keystone XL project, which may get the green light again.

The management team at TransCanada is top notch. The company has over 60 years of experience creating pipelines, and the management team knows how to transport oil and natural gas in a safe and efficient manner.

In addition to Keystone XL, the company has over \$25 billion worth of smaller, shorter-term projects under development. These pipelines are expected to be finishing sometime in the next two years and will increase earnings by a huge amount during this timeframe. These projects are also expected to give a nice boost to the cash flow until 2020.

This boost to the company's cash flow will support generous dividend raises of about 10% for the next few years. Once Keystone XL is operational, this annual dividend raise could be even higher than 10% because Keystone is a huge project that will provide a gigantic boost to the company's bottom line.

The dividend is at a very bountiful 3.64% right now, and if you're an income investor looking for a value pick for your TFSA, then look no further than TransCanada.

The company is quite cheap at current levels when you consider the catalysts that will drive the stock higher over the next few years. The stock currently trades at a 2.6 price-to-earnings multiple and a 3.7 price-to-sales multiple, both of which are higher than the company's five-year historical average multiples of two and 3.5, respectively.

According to historical averages, the stock is quite pricey. But the company is set to grow its cash flow over the next few years with its fantastic pipeline of projects. With Keystone XL's approval on the

horizon, now is definitely the best time to get into the stock, because investors may enjoy huge capital gains in addition to the fat dividend.

TransCanada is a dividend-growth king that is trading at a discount to its intrinsic value right now. The company has increased its dividend every year over the past decade and is well positioned to increase it every year for the next decade. Buy the stock now and hold it forever.

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