Income Investors: Should TransCanada Corporation Be in Your TFSA Today?

Description

Canadians are searching for reliable dividend stocks to put in their Tax-Free Savings Account (TFSA) portfolios.

Let's take look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) to see if it deserves to be on your radar.

Rebound

TransCanada had a tough run in 2015 as falling oil prices and President Obama's rejection of the Keystone XL pipeline scared investors. By the time TransCanada bottomed out, the stock had fallen from $60 to about $42 per share.

Contrarian types who had the courage to get in at that point are sitting on some nice gains, and more upside could be on the way.

Why?

A rebound in oil prices through 2016 put a tailwind behind the energy infrastructure sector, but a significant part of TransCanada's rally was driven by the acquisition of Columbia Pipeline Group.

The $13 billion deal added strategic natural gas assets in the growing Marcellus and Utica shale plays as well as important gas pipeline infrastructure running to the Gulf Coast. Columbia also brought a solid backlog of projects, boosting TransCanada's near-term development portfolio to $23 billion at the end of Q4 2016.

Longer-term projects total $45 billion.

Additional assets

Most investors focus on the company’s activities in the Canadian and U.S. markets, but TransCanada also has a strong pipeline presence in Mexico.

In addition, the energy group is worth considering when evaluating the stock. TransCanada’s power-generation assets provide stable revenue to support growth with interests in 10,700 MW of generation capacity.

Dividends

TransCanada expects cash flow to increase enough to support annual dividend growth of at least 8% through 2020.

The current quarterly payment of $0.625 per share already provides a yield of 4%, so investors are looking at some decent returns in the next few years, even if the stock doesn’t rise.

Upside potential

Keystone is back in play under the Trump administration, and while there might be some concessions to make, it looks like the project will eventually be built.

In Canada, the company’s Energy East project is back to square one, but it’s not dead.

At the moment, the full cash flow potential from these projects might not be priced in to the stock.

Should you buy?

TransCanada has a strong track record of dividend growth with strategic assets located in Canada, the United States, and Mexico.

If you want a safe income stream, this stock looks like an attractive buy-and-hold TFSA pick.

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