This Dividend Giant Is Trading Near its 52-Week Lows

Description

With a track record spanning more than seven decades, **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) is one of Canada's preeminent energy infrastructure companies.

But with TransCanada stock up more than 10% in the last three weeks of trading, is this a time where you should be waiting for the next pullback, or should you be buying now that the stock has broken out?

TransCanada has played a critical role in Canada's economy for over 65 years, helping to deliver energy to Canadians.

Today, the company operates three complementary energy infrastructure businesses.

Its main business is the its natural gas pipeline business with a pipeline network over 91,000 kilometres long, which is responsible for transporting over 25% of North America's supply of clean-burning natural gas.

In 2017, it was the company's Canadian and U.S. natural gas businesses that contributed over 50% of total sales and nearly 61% of its earnings before interest, taxes, depreciation, and amortization (EBITDA).

In addition to its natural gas pipelines network, the company also has a 4,900-kilometre network used to transport crude liquids from western Canada to the U.S. Midwest and gulf coast, where key refinery markets are located.

Complementing its pipeline networks are 11 power-generation facilities capable of producing up to 6,100 megawatts of electricity — enough to power more than six million households.

Perhaps even more impressive is that over half of TransCanada's power-generation facilities use emissionless sources of energy, like nuclear power and wind.

Despite experiencing a fall-off in its revenues last year, TransCanada's energy unit still managed to drive over $1 billion in EBITDA for the company.

As a whole, the company continues to improve returns for its shareholders year in and year out.

In fact, shareholders in TransCanada have been the beneficiaries of a 14% annual total return dating back all the way to the year 2000.

And 2017 helped continue to drive the firm's outperformance, as earnings per share rose by 11.1% to $3.09 per share, while funds from operations also rose by 9.1% to $5.64 billion from $5.17 billion in 2016.

In turn, that helped to allow the company to raise its dividend by 10.6% in 2017, and it followed that with a 10.4% increase to start 2018.

Today, shareholders are receiving a $0.69 quarterly payout, which works out to a 4.99% forward dividend yield against a share price of $55.31 on the Toronto Stock Exchange.

With the company on record stating that it plans to increase its dividend by another 8-10% per year into 2021, that should, without question, prove to be a recipe for continued outperformance in TransCanada stock.

Is it time to buy?

Despite being a little less than 10% off its 52-week low, TransCanada stock has had difficulty breaking above the mid-$50 range so far in 2018.

Now might be a time for investors to exercise a little patience and try and get in on a pullback to the low$50s. If you aren't willing to be patient, there are a couple of other good options in the energy market right now.

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