



Why TransCanada Corporation Is a Great Investment

Description

Canada's abundant resources sector has often left investors wondering which investments they should make and which ones they should drop. Of the dizzying array of energy-focused companies, one that continues to draw interest is **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)).

TransCanada is an [energy infrastructure company](#) with an impressive network of over 91,000 km of natural gas pipeline and nearly 5,000 km of oil pipeline. The gas pipeline network is responsible for the transportation of over 25% of North America's gas demand, and the oil pipeline provides a vital link between Alberta and Gulf refineries in the U.S. as well as links to the eastern part of the country.

One thing that continues to impress me when it comes to energy companies such as TransCanada is the sheer earnings potential that comes from the lucrative business model of transporting energy. Once constructed, pipeline networks become an incredible source of revenue for their owners, effectively making TransCanada the equivalent of a toll collector along a massive network of pipelines.

This factor alone makes TransCanada an intriguing investment, but there are additional points worth mentioning.

TransCanada and Keystone XL — massive potential awaits

Even if you haven't heard of TransCanada directly, you've more than likely heard mention of the energy behemoth's signature pipeline project, Keystone XL.

The controversial Keystone XL pipeline represents the fourth phase of the Keystone pipeline system that runs from the oil-rich fields in Alberta down to the refineries in the U.S. Gulf coast, with the pipeline's proposed path running diagonally through Montana and South Dakota, before meeting up with the pipeline in Nebraska.

The route, and by extension the entire pipeline, has been an issue of controversy with environmentalists, and there have been protests by residents in Nebraska, where the route will traverse the Sandhills area.

The multi-billion-dollar project was originally proposed in 2008, and following several revisions, the Obama administration formally rejected the project in 2015. Following the election of President Trump, there was the talk of [restoring the Keystone XL project](#), which finally happened last March when President Trump overturned the Obama-era rejection.

The project has since been given the green light to proceed, with construction likely set to begin next year.

In addition to the Keystone project, during the most recent earnings announcement, TransCanada noted that the company has a staggering \$21 billion of projects that will keep investors more than content for the next decade and provide annual growth of 8% or better of its already incredibly appetizing dividend, which pays a yield of 4.9%. The most recent uptick to the dividend earlier this year represented the 18th consecutive annual increase, putting the company in an exclusive club of dividend-paying companies.

In terms of results, in the most recent quarter, TransCanada reported revenues of \$3.42 billion, only just surpassing the amount reported from the same quarter last year. Adjusted earnings per share came in at \$0.98 per share, handily beating the \$0.84 per share that analysts were calling for.

In my opinion, TransCanada represents an excellent opportunity for investors looking to enhance or enter the energy sector with a long-term growth and income stock that will only increase in appeal over the next decade.

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