



TFSA Investors: A Top Dividend Growth Stock to Buy Today

Description

TransCanada Corp is no more as shareholders voted in favour of changing the company's name to **TC Energy Corp** ([TSX:TRP](#))([NYSE:TRP](#)). It is a bittersweet ending for one of Canada's most recognizable names in the energy industry. The company has operated under the TransCanada name for over six decades. The reality however, is that TransCanada was no longer a Canadian company.

Approximately 60% of TC Energy's revenue comes from the United States. Its ties to Canada have also been seen as a weakness as it tries to gain U.S. approvals for the Keystone XL pipeline. It has also proved to be a liability in Trump's "America First."

As such, the company is leaving decades of history behind and forging a new path forward. Last Friday, TC Energy announced first-quarter earnings. Is the [stock a buy](#)?

Mixed first-quarter results

It was a mixed first quarter for the company. Earnings of \$1.07 per share beat by \$0.07, while revenue of \$3.49 billion missed by \$120 million, representing growth of 9.2% and 2% over the comparable quarter in 2019.

Funds from operations, a key metric for the company, increased 11% to \$1.8 billion. In the quarter, the company placed approximately \$5.3 billion of new growth projects into service. It estimates that there will be a further \$7 billion worth of projects that will enter operation by end of year. As of end of first quarter, it had a robust backlog of \$30 billion in growth projects.

The company also reiterated that these projects are supported by regulated or long-term contracts.

A dividend aristocrat

TC Energy is a [very attractive income stock](#). The company currently yield's 4.76% and it is a Canadian Dividend Aristocrat having raised dividends for 18 consecutive years. This is tied for the 13th longest

streak in Canada. The best part is that the company is well positioned for sustainable dividend growth.

Growth projects are expected to underpin 8 to 10% dividend growth through 2021 — a very sustainable growth rate. In the first quarter, distributable cash flow came in at \$1.76 per share. Dividends accounted for only 43% of DCF. Given this, even if the company misses its timeline for growth projects, it still has plenty of room to raise dividends.

Foolish takeaway

Regardless of the brand, this is still a well-managed company with an attractive dividend. The company is trading at a price-to-earnings ratio of 15.7, which is well below its historical averages. Likewise, it looks even cheaper given that it's trading at a low forward price of 11.57 times earnings at writing.

TC Energy still operates in an industry that subject to volatility thanks to the price of oil. However, as a midstream company it is less impacted by price fluctuations. In fact, over the past six years, 95% of the company's EBITDA growth has originated from regulated assets and long-term contracts. Any weakness in oil prices that drags down the price of its shares is a buying opportunity for investors.

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