



Buy TC Energy (TSX:TRP) and Build Recurring Passive Income With a 4.5% Yield

Description

After being mired in controversy because of the Keystone XL pipeline, **TC Energy** ([TSX:TRP](#)) ([NYSE:TRP](#)), once known as TransCanada, has seen its stock surge sharply since the start of 2019 gaining a healthy 35%. There is every indication that the rally isn't over yet, making now the time for investors to add TC Energy to their portfolios.

Solid first-quarter 2019 results

The ongoing issues surrounding the Keystone XL pipeline have had little direct impact on TC Energy's performance, where it has consistently delivered value for investors. For the first quarter, the company reported that comparable EBITDA shot up by 16% to \$2.4 billion, while net income rose by an impressive 37% to just over \$1 billion, although earnings per share only rose 31% to \$1.09 because of the dilutive effect of TC Energy's dividend-reinvestment plan.

That notable performance can be attributed to higher volumes of natural gas and petroleum liquids being transported across TC Energy's pipeline network. The commissioning of the Columbia Gas and Columbia Gulf growth projects was responsible for the notable increase in the volume of natural gas pipelines piped across TC Energy's U.S. natural gas pipelines.

That strong performance ensures that TC Energy remains on track to meet its 2019 guidance.

Earnings to keep growing

Earnings will continue to expand at a healthy clip with TC Energy expecting that EBIDA will grow at a compound annual growth rate (CAGR) of around 9% annually, as it has done since 2015. A key reason for this is growing oil and natural gas production in the North American energy patch.

The Canadian Association of Petroleum Producers (CAPP) forecasts that daily output will expand by 1.4 million barrels between the end of 2017 and 2035. Even Alberta's mandatory [production caps](#)

aimed at bolstering Canadian heavy crude prices and draining local oil inventories won't prevent that from occurring. Once they wind down toward the end of 2019, production in the [oil sands](#) is forecast to recommence growing at a solid clip.

TC Energy also has an extensive pipeline of secured capital projects valued at over \$30 billion that are expected to be completed and enter service between now and 2023. That will allow it to meet the large amount of pent-up demand for the utilization of pipelines to transport petroleum products. There is another \$21.5 billion of projects under development, including the controversial Keystone XL Pipeline, where construction has yet to start.

Despite receiving presidential approval for the stalled Keystone XL over two years ago when Trump took office and a new permit superseding the earlier permit in March 2019, TC Energy has been unable to progress the pipeline. It is still waiting for a decision from the Nebraska Supreme Court over the route approval in that state and battling a filed lawsuit by Native American communities in Montana that are challenging Keystone XL's permitting.

For these reasons, it appears that Keystone XL will remain mired in controversy for some time to come, but that shouldn't prevent investors from acquiring TC Energy.

Poised to deliver further value

TC energy is clearly capable of unlocking ongoing value from its existing portfolio of assets, including rewarding patient investors with further dividend hikes. TC Energy has, in fact, increased its dividend for an impressive 18 years straight, giving it a juicy yield of 4.5% and seeing it qualify as a Dividend Aristocrat.

The dividend will continue to grow with the midstream services provider expecting its earnings and cash flow growth to support 8-10% annual growth through to 2021. That emphasizes why TC Energy is an ideal investment for investors seeking to build a recurring, steadily growing, passive-income stream.

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