



## TC Energy (TSX:TRP) Is a Must-Buy on Recent Weakness

### Description

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) is a king among men in the pipeline space. Shares of the “utility-like” energy infrastructure firm made all-time highs before the coronavirus sent the broader markets tumbling.

Today, TC Energy stock is down just over 15% from its high, and as one of the most resilient midstream energy plays in Canada, investors should look to nab the stock while it sports a 5.1% yield if they desire to *invest* and not speculate on the hard-hit energy industry.

### TC Energy knocks one out of the ballpark

Just over a week ago, TC Energy reported some pretty stellar first-quarter results, clocking in an EPS of \$1.18 and beating the analyst consensus of \$1.06. Revenue for the quarter was down modestly to \$3.42 billion from \$3.49 billion year over year. Remarkably, coronavirus quarantines had a minimal impact on the first quarter.

Given TC Energy’s businesses have exhibited less volatility than most of its midstream peers due to a higher degree of regulation, I view the name as one of the safest ways to play the recent downturn in the oil and gas space. In the face of pandemic-related uncertainties, TC Energy is in a great position to continue to navigate the rough waters with around \$9 billion worth of liquidity that was secured this April.

Despite the firm’s continued resilience, investors should expect shares of TRP to continue to be volatile for the duration of the pandemic. The coronavirus is likely to cause some interruption to near-term growth, as the company’s projects stand to be delayed due to continued social-distancing practices. Regardless, longer-term investors should be content with collecting the bountiful and [well-covered dividend](#) while they wait for the economy to re-open and social-distancing measures to ease.

Following TC Energy’s solid quarter, **RBC** Capital Markets reiterated its outperform rating: “We positively view the quarterly release and 2020 outlook that support our Outperform thesis for the stock,” wrote RBC. “Specifically, we view TC Energy as being ‘utility-like’ with favourable comparisons to some

regulated utilities.”

## TC Energy shares look dirt cheap

Shares of TRP aren’t the bargains they were over a month ago, but they’re still quite undervalued given the resilience shown in the first quarter.

At the time of writing, TRP stock trades at 8.9 times cash flow, 2.2 times book, and 12.1 times enterprise value/EBITDA, all of which are considerably lower than the stock’s five-year historical average multiples of 9.1, 2.5, and 21.4, respectively.

The payout ratio sits at 69.6% TTM, and given the robust nature of the firm’s cash flows, TC Energy’s dividend is far better supported than the dividends of its less-regulated peers. As the pandemic drags on, the dividends of many market darlings will stand to be cut. Fortunately, TC Energy is one of the few high-yield plays that can keep its dividend intact as the lights dim on the energy patch.

## Foolish takeaway

TC Energy clocked in a heck of a first quarter. The company looked relatively immune to the coronavirus, and the stock rightfully deserves to trade at a massive premium to its more volatile peers in the space. As government-mandated social-distancing practices are eased over the coming months, I expect TC Energy to surge past all-time highs, as construction resumes across TC Energy’s [promising pipeline of growth projects](#).

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joefrenette

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