COVID-19 or No, TC Energy (TSX:TRP) Will Continue to Grow!

Description

It's not often that a $61.2 billion energy giant boasts of a dividend payout of 5%. And it is even rarer for the company to declare that it will continue increasing its dividend over the next four years. However, that it exactly what **TC Energy** (TSX:TRP)(NYSE:TRP) has done. The company declared that it will increase its dividend by 8%-10% next year, and by 5%-7% post-2021.

The company operates one of North America's largest natural gas pipeline networks at 57,900 miles and transports around 35% of the continent's demand. It has 3,000 miles of liquid pipelines that account for 20% of Western Canadian exports.

It is also one of the largest private power producers in Canada with seven power plants generating 4,200 MW of power. TC Energy has delivered a 13% average annual total shareholder return since 2000.

A $37 billion capital outlay

And the company has no intention of resting on its laurels. TC Energy's mammoth development pipeline has $37 billion of capital projects underway. Around $3 billion of assets have been placed into service in the first half of 2020. These are $2.9 billion of NGTL System and $0.1 billion of Canadian mainline capacity projects.

The company has added $11 billion to its cash position after a sale of 65% equity interest and project financing of the Coastal GasLink project for net proceeds of $2.1 billion. It sold its Ontario natural gas-fired power plants for a total of around $2.8 billion.

TC Energy has also issued debt worth $2 billion (seven-year fixed-rate medium-term notes) and $1.25 billion (10-year fixed-rate senior unsecured notes) and made arrangements for $2 billion worth credit facilities with its bankers.

TC's construction of the Keystone XL pipeline started in April and has approved a $400 million Elwood Power Project on July 29 to replace, upgrade and modernize certain ANR facilities.

You can take a look at the details of the company's capital program until 2023.

Largely insulated from the pandemic

Almost 95% of TC's EBITDA is generated from rate-regulated assets and/or long-term contracts. This protects the company from short-term market volatility. TC Energy hasn't seen any major changes in its asset utilization. Its supply chain hasn't been hit in any significant way yet.

Its construction activities and capital expenditures for 2020 have been a bit slow but that has been because of delays in getting permits by regulators.

This is perhaps the most important company statement of all, "The combination of the COVID-19 pandemic and unparalleled energy demand and supply disruption has had a significant impact on certain of our customers.

While counterparty risk has heightened and we have increased our monitoring of and communication with counterparties experiencing greater financial pressures, we are not expecting any material negative impact to our 2020 earnings or cash flows."

TC Energy operates in North America and all the services it provides are essential to Canada, the United States, and Mexico which means that COVID or no, the company won't stop operations, and its revenues are regulated which means there won't be any volatility.

I have written about this stock recently as a 'must-buy' for dividend investors. This is a reiteration of the belief that TC Energy is a great stock for investors who want an increasing dividend as an assured source of income.

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