



This Large-Cap TSX Stock Continues to Impress Bay Street!

Description

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is one of the largest midstream oil and gas companies in North America. It reported its results for the first quarter of 2021. The numbers were solid, but the effects were tempered after U.S. president Joe Biden canceled the Keystone XL pipeline permit, causing a hit to the company.

Solid Q1 of 2021

TC Energy [reported a net loss](#) of \$1.1 billion thanks to the asset impairment charges related to the formal suspension of the Keystone XL pipeline. However, when you take away the impact of the pipeline charges, comparable earnings for the first quarter were \$1.1 billion, or \$1.16 per common share.

TC Energy had a comparable EBITDA of \$2.5 billion and net cash was \$1.7 billion. Comparable funds from operations were \$2 billion.

The company continues to advance its \$20 billion capex plan on secured projects that are expected to enter service by 2024. A significant part of this capex is geared towards TC's natural gas businesses. Around \$1.9 billion of this \$20 billion allocation was invested in a variety of projects in the first quarter.

TC Energy is also going ahead with \$7 billion of projects under development, including the refurbishment of another five reactors at Bruce Power. The company said, "The refurbishment program will run through 2032 and is underpinned by a long-term contract with the Ontario IESO that extends to 2064, providing us with stable and predictable earnings and cash flow and the province with emission less power." It expects \$4.1 billion of projects to be completed in 2021.

TC Energy has 94,000 km of existing natural gas pipelines and is well positioned to meet demand in the long term. This extensive pipeline is a powerful moat against competitors and will hold the company in good stead for a long, long time.

Another development for the company was the acquisition of TC Pipelines it completed in Q1. TC

Energy acquired all outstanding shares of TC Pipelines for \$2.1 billion, net of transaction costs.

What's next for investors?

Phase I of the Grand Chenier XPress, an expansion project on the ANR pipeline system, connecting supply directly to the U.S. Gulf Coast LNG export facilities, went into service in April 2021 and the second phase is expected to go into service in early 2022. Further, construction on Mexico's Villa de Reyes natural gas pipelines has been delayed, and it is expected to be completed by the end of the year.

TC Energy has grown its dividend at a CAGR of 7% since 2000, and said it expects to grow it at between 5% and 7% in the future as well. The forward dividend yield [for TC Energy](#) stands at a tasty 5.62%. It is rare to see energy companies that have sustained or even increased dividend payouts amid the pandemic, but TC Energy belongs to that group. The average shareholder return since 2000 for the company is 12%, which is attractive for a company its size.

The stock closed on May 7 at \$61.79. Analysts have given the company a target of \$69.05, an upside of over 11% from current levels. After accounting for its dividend yield, annual returns will be closer to 17%.

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