



3 Reasons to Buy TC Energy Stock Now

Description

Retirees and other income investors are searching for top dividend stocks to add to their TFSA portfolios. Let's take a look at **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) to see why it might be a good stock to buy today.

Attractive assets

TC Energy took a hit earlier this year when Joe Biden revoked a presidential permit to complete the Keystone XL pipelines. TC Energy recently cancelled the project, putting an official end to a long and costly process.

Fortunately, TC Energy has a large portfolio of other capital initiatives that will drive revenue growth and higher cash flow for years. TC Energy is advancing \$7 billion in projects and has \$20 billion in secured capital developments on the go through 2024. In total, TC Energy operates more than \$100 billion in assets. Roughly 95% of comparable EBITDA comes from rate-regulated assets or long-term contracts. That means earnings should be relatively predictable and reliable.

Oil pipelines are part of the mix, but TC Energy is primarily focused on natural gas and power generation. The natural gas [pipeline network](#) extends 93,400 km and includes assets in Canada, the United States, and Mexico. Natural gas has a bright future. The fuel produces less emissions than oil or coal when used to generate power, making it the top choice in many countries that are transitioning to renewable energy.

The United States and Canada have vast natural gas supplies that are cheap to produce and can be converted to liquified natural gas (LNG) for shipment to markets that do not have natural gas resources. The global LNG sector is expected to expand in the coming years, and TC Energy has the infrastructure in place to connect producers to LNG terminals.

Dividend growth

TC Energy has a long track record of increasing the distribution with a compound annual dividend-growth rate of 7% over the past two decades. The board intends to raise the dividend at a rate of 5-7% per year over the medium term, supported by the strong development portfolio and additional projects that are expected in the coming years. TC Energy also has the financial firepower to make large strategic acquisitions to drive future growth.

Investors who buy the stock at the current price can pick up a 5.4% dividend yield. That's a great return for TFSA income investors who are searching for high-yield alternatives to offset the low rates being paid on no-risk products like GICs.

Upside potential

The stock is up more than 20% in 2021, but more gains should be on the way, as investment funds rotate back to the energy infrastructure sector. TC Energy trades near \$64 at the time of writing. The share price was above \$75 before the pandemic, so there should be decent upside, as the energy plays become more attractive.

The bottom line on TC Energy stock

TC Energy is an important player in the North American energy infrastructure sector. The challenges the company faces in getting major new pipelines built will continue, but the anti-pipeline environment also makes the existing infrastructure more valuable. TC Energy generates strong and reliable cash flow, and the stock still appears [undervalued](#), even after the strong bounce off the 2020 lows.

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