



Why TC Energy Stock May Be Poised to Outperform in Q3 and Beyond

Description

Long-term investors seeking [high-yielding stocks](#) with great long-term potential have correctly begun to look at various pipeline stocks. Indeed, in this current environment, finding a high-quality [5.8% yielding stock](#) is hard to do. However, such is the case with Canadian pipeline player **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). Those invested in TC Energy stock have done quite well this year, generating a 15% return on a capital appreciation basis alone. Factoring in dividends, this company's return is substantially higher.

However, looking over the longer term, perhaps the view is less clear. Investors may choose to seek out higher-yielding bonds in a rising interest rate environment. While we haven't seen this play out yet, risks to higher-yielding equities do exist.

So, what should investors do? Here's why I think TC Energy is still a safe bet right now.

TC Energy stock better off without Keystone XL

The ultimate shuttering of the Keystone XL via executive order from President Biden was a huge blow to this stock. Indeed, many investors agree that TC Energy stock could be a lot higher today if this project had been pushed through.

However, with this negative catalyst behind TC Energy, investors can truly look past this saga. The company's existing pipeline infrastructure remains solid, with a wide moat. Given the fact that no meaningful capacity is likely to come onto the market anytime soon, existing pipeline players are likely to benefit from pricing power not usually possible in this sector. The company's defensive business model and focus on natural gas is also a huge plus for investors.

Indeed, natural gas is a much different animal than crude oil. The fact that TC Energy stock is weighted more heavily to natural gas has been viewed as a positive by many analysts. Indeed, I'm of the view that a transition toward renewable energy will require a de-facto increase in natural gas supply to meet demand. Accordingly, TC Energy stock is one that's well positioned in this environment.

Bottom line

From a fundamentals perspective, TC Energy stock is one that's hard to ignore right now. Yes, this stock trades at roughly 29 times its earnings. That's not necessarily cheap in comparison to other players in the sector. That said, I believe its valuation is fair, considering only a few other dividend plays have such a stable cash flow position.

Additionally, I think the fact that the world is in a transitional phase away from fossil fuels is bullish for TC Energy stock in the near term. This is a unique pipeline player in terms of the product mix of what TC Energy ships. Accordingly, I think this is a stock that's as potentially undervalued as it is misunderstood.

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1. Dividend Stocks
2. Energy Stocks
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