



Should You Buy TC Energy or Pembina Pipeline Stock Now?

Description

Energy infrastructure stocks stand to benefit from the recovery in demand for oil and natural gas.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is an energy infrastructure giant with a [market capitalization](#) of \$70 billion and more than \$100 billion in assets located across Canada, the United States, and Mexico.

The natural gas group operates 93,300 km of pipelines and more than 650 billion cubic feet of storage. The network transports a quarter of the natural gas used in North America to generate power, heat homes and businesses, and fuel commercial operations.

Natural gas is in high demand globally, as utilities convert power-generation facilities from oil and coal to natural gas. The war in Ukraine has resulted in new demand for North American liquefied natural gas (LNG), as European countries scramble to find new suppliers to replace Russia.

TC Energy has strategic network infrastructure in place to move natural gas from key U.S. production areas such as the Marcellus and Utica plays to LNG facilities on the U.S. Gulf Coast. The company is also building a new pipeline in Canada that will connect producers to a new LNG facility on the coast of British Columbia.

TC Energy's other divisions include oil pipelines and power generation facilities. These provide a balanced revenue stream that generates reliable cash flow.

TC Energy is working on a \$25 billion capital program. As new assets get completed and go into service the company expects cash flow growth to support annual dividend increases of 3-5%.

Management expects 2022 EBITDA to be higher than last year and earnings per share are forecast to be in line with 2021.

The stock trades near \$73.50 per share at the time of writing and provides a 4.9% dividend yield.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) markets itself as a one-stop shop for oil and gas producers primarily located in western Canada who need pipeline, gas gathering, gas processing, and logistics services. The company is an important midstream player in the sector and has grown steadily over the past 65 years through strategic acquisitions and organic projects.

Pembina Pipeline also has propane export facilities and is evaluating an LNG opportunity.

The company generated strong Q1 2022 results. Adjusted EBITDA came in at a record \$1 billion compared to \$835 million in the first three months of last year.

Pembina Pipeline raised its guidance for 2022. Adjusted EBITDA is now expected to be \$3.45 billion to \$3.6 billion, up from \$3.35 billion to \$3.55 billion in the previous forecast.

Cash flow from operating activities is expected to exceed dividends and the capital expenditures for the year. Pembina Pipeline is allocating excess cash to share buybacks as well as debt repayment, new capital investments, and potentially higher dividends.

The stock trades near \$51 per share at the time of writing and offers a 4.9% dividend yield.

Is TC Energy or Pembina Pipeline stock a buy?

The rebound in the energy market looks set to continue for some time and demand is rising for North American oil and natural gas. TC Energy and Pembina Pipeline are both top-quality energy infrastructure players that should benefit in the coming years.

At this point, I would probably split a new investment between the two stocks. TC Energy offers decent dividend-growth guidance while Pembina Pipeline could become a takeover target, as the sector consolidates. They provide similar dividend yields right now and should deliver solid total returns over the next few years.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
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aswalker

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