



Should TC Energy Stock Be Part of Your Dividend Portfolio in 2022?

Description

Income-seeking investors can buy and hold blue-chip [dividend stocks](#) such as **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) in their equity portfolios. Dividend stocks allow you to create a passive-income stream and benefit from long-term capital gains.

There are several companies on the TSX that pay investors dividends. But just a handful of these stocks should be part of your portfolio in 2022. Let's see if you should buy TC Energy stock right now.

TC Energy is part of the energy sector

TC Energy is a diversified energy company that operates pipelines, storage facilities, and power-generation plants in North America. It has a natural gas pipeline network of 57,900 miles and 653 cubic feet of natural gas storage in Canada, the U.S., and Mexico. Further, TC Energy has a 3,000-mile oil and liquids pipeline network and transports crude oil from Alberta to multiple markets south of the border.

TC Energy has also invested in seven power-generation facilities with 4,300 megawatts of capacity, enough to power four million homes.

Since the start of 2000, TC Energy has expanded its asset base from \$25 billion to \$100 billion. These cash-generating assets have allowed the company to increase dividends to \$3.60 per share in 2022 from \$0.80 per share in 2000, indicating annual growth rates of 7%.

TC Energy has a portfolio of complementary infrastructure assets and \$28 billion of secured growth projects, which should support annual dividend growth of 3-5%.

TC Energy is well poised to meet the ever-increasing demand for energy. It has already delivered outsized gains to investors and returned 13% annually since 2000.

Is TC Energy stock a buy?

TC Energy derives a majority of its revenue from its natural gas pipelines. Around 95% of its comparable EBITDA (earnings before interest, tax, depreciation, and amortization) is backed by rate-regulated assets and long-term contracts, making it relatively immune to fluctuations in commodity prices.

Its robust cash flows allow TC Energy to offer investors a tasty dividend yield of 5.8%. So, an investment of \$5,000 in TC Energy stock will allow you to generate around \$290 in annual dividends.

TC Energy expects to increase its comparable EBITDA by 5% annually through 2026, fueling its dividend program. At its current price, TC Energy stock is valued at 15 times forward earnings, which is quite reasonable.

TC Energy remains a [top stock on the TSX](#), as its pipeline network strategically connects growing supply in North America's most productive basins to key markets in Canada, Mexico, and the United States. It also operates one of the largest natural gas storage businesses in the world.

Demand for crude oil should continue to trend higher, especially in emerging markets. TC Energy's assets are located in proximity to production regions and should benefit from its already established footprint.

The demand for renewable energy is estimated to grow at an enviable pace going forward. In order to support high demand, it will be critical for companies to invest in hydro, wind, and solar energy storage capacity, unlocking another revenue opportunity for TC Energy.

TC Energy stock is trading at a discount of 11% to average analyst price targets. After accounting for its dividend, total returns will be closer to 17%.

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