



Why TransAlta Shares Tanked Today

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of electricity generation company **TransAlta** ([TSX:TA](#)) sank 10% today after its quarterly results and outlook disappointed Bay Street.

So what: The stock has plunged over the past year on weak prices for coal-fired electricity, and today's Q4 results — adjusted FFO of \$0.67 per share missed the consensus by \$0.05 on a revenue drop of 9% — coupled with downbeat guidance suggest that things turning anytime soon. In fact, management slashed its dividend 38% and announced the sale of its 50% interest in CE Generation, Blackrock development, and Wailuku in order to help stabilize the balance sheet, reinforcing serious concerns among analysts over TransAlta's financial position.

Now what: Management now sees 2014 EBITDA of \$1.015 billion-\$1.065 billion based on the current outlook for power prices in Alberta and the Pacific Northwest. "Our growth strategy is unchanged and our ability to execute is enhanced through these two additional initiatives [CE sale and dividend cut]," President and CEO Dawn Farrell reassured investors. "An attractive, sustainable dividend continues to be an important part of our approach to delivering value to shareholders. In addition, a strong investment grade balance sheet is critical for enhancing our ability to compete for growth opportunities."

So while conservative income seekers will likely keep their distance from TransAlta, utility-savvy contrarians might want to look into today's plunge as a possible buy-in opportunity.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TA (TransAlta Corporation)

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