



3 Key Takeaways From TransCanada Corporation's Q3 Earnings Release

Description

TransCanada Corporation ([TSX: TRP](#))([NYSE: TRP](#)) is one of the leading energy infrastructure companies in North America, with more than 35,500 miles of wholly owned pipelines, 21 wholly and partially owned power plants, and more than 407 billion cubic feet of gas storage capability. The company released third-quarter earnings on the morning of Nov. 4, and the results came in above analysts' expectations, so let's take a look at three of the most important takeaways from the report to determine if we should consider initiating long-term positions today.

1. The results surpassed analysts' expectations

Here's a chart of TransCanada's earnings per share and revenue results compared to what analysts had expected, and its results in the same period a year ago.

Metric	Reported	Expected	Year-ago
Earnings Per Share	\$0.63	\$0.54	\$0.63
Revenue	\$2.5 billion	\$2.4 billion	\$2.2 billion

Source: *Estimize*

Earnings per share remained unchanged, and revenue increased 11.2% compared to the third quarter of fiscal 2013. In the first nine months of fiscal 2014, earnings per share have increased 2.4%, and revenue has increased 17.1% compared to the same period a year ago.

2. Revenues increased in all three of the company's segments

The highlight of the report came in TransCanada's segment-by-segment results, in which it reported revenue growth in each of its three major segments. Here's a chart of the revenue reported in each segment in the third quarter compared to the same period a year ago.

Segment	Q3 2014 Revenues	Q3 2013 Revenues	Change
Natural Gas Pipelines	\$1,145 million	\$1,083 million	5.7%

Energy	\$919 million	\$840 million	9.4%
Liquids Pipelines	\$387 million	\$281 million	37.7%
Total	\$2,451 million	\$2,204 million	11.2%

Source: TransCanada Corporation

3. The company generated nearly \$400 million in free cash flow

Finally, TransCanada reported \$1,242 million in net cash provided by operations and \$853 million in capital expenditures in the third quarter, resulting in free cash flow of \$389 million. The company utilized its free cash flow — and the \$567 million in cash and cash equivalents on its balance sheet to begin the quarter — to pay out approximately \$406 million in dividends and distributions and invest in numerous new projects. Year to date, the company has generated approximately \$742 million in free cash flow. It has paid out \$1.2 billion in dividends and distributions while investing billions in new projects, showing that it is strongly dedicated to growing and maximizing shareholder value.

Should you buy TransCanada today?

TransCanada Corporation is one of the most crucial energy infrastructure companies in North America, and the growing demand for its services led it to a strong performance in the third quarter. The company's stock has reacted to the news by remaining relatively flat, so long-term investors should consider using this as a long-term buying opportunity, especially since its stock trades at less than 20 times forward earnings and has a healthy dividend yield of about 3.5%.

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