



## Should You Buy, Sell, or Hold TransCanada Corporation Today?

### Description

**TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)), one of North America's leading operators of natural gas pipelines and gas store facilities, announced first-quarter earnings results on the morning on May 1 and its stock has responded by remaining relatively flat. Let's take a thorough look through the report to determine if this lack of movement represents a long-term buying opportunity, or if there is an underlying factor holding the stock back.

### The mixed first-quarter results

Here's a summary of TransCanada's first-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Comparable Earnings Per Share	\$0.66	\$0.65	\$0.60
Revenue	\$2.87 billion	\$2.89 billion	\$2.88 billion

Source: *Financial Times*

TransCanada's comparable earnings per share increased 10% and its revenue decreased 0.3% compared with the first quarter of fiscal 2014. The company's very strong earnings per share growth can be attributed to its comparable net income increasing 10.2% to \$465 million, as well as a \$0.11 per share benefit from its risk management activities.

Its slight decline in revenue can be attributed to revenue falling 14% to \$1.13 billion in its Energy segment, which more than offset revenues increasing 7.4% to \$1.31 billion in its Natural Gas Pipelines segment and 23.4% to \$443 million in its Liquids Pipelines segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Delivery volumes decreased 6.5% to 1.06 trillion cubic feet in its NGTL System segment

2. Delivery volumes increased 0.2% to 529 billion cubic feet in its Canadian Mainline segment
3. Delivery volumes decreased 3% to 509 billion cubic feet in its ANR Pipeline segment
4. Comparable earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 9.7% to \$1.53 billion
5. Funds generated from operations increased 4.6% to \$1.15 billion
6. Comparable earnings before interest and taxes (EBIT) increased 9.4% to \$1.1 billion
7. Net cash provided by operations decreased 22.4% to \$760 million
8. Capital expenditures increased 8.3% to \$806 million
9. Average number of diluted common shares outstanding increased 0.3% to 710 million
10. Ended the quarter with \$1.82 billion in cash and cash equivalents, an increase of 272.4% from the beginning of the quarter

TransCanada also announced that it will be maintaining its dividend of \$0.52 per share in the second quarter, and it will be paid out on July 31 to shareholders of record at the close of business on June 30.

### **Should you invest in TransCanada today?**

After reviewing the quarter's results, I think the lack of movement in TransCanada's stock represents an attractive long-term buying opportunity, especially because it trades at favourable forward valuations and because it has a high dividend yield.

First, TransCanada's stock trades at just 22.4 times fiscal 2015's estimated earnings per share of \$2.50 and only 21 times fiscal 2016's estimated earnings per share of \$2.67, both of which are very inexpensive compared with the industry average price-to-earnings multiple of 28.5.

Second, TransCanada pays a quarterly dividend of \$0.52 per share, or \$2.08 per share annually, giving its stock a 3.7% yield at today's levels. The company has also increased its dividend for 15 consecutive years, making it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think all Foolish investors should take a closer look at TransCanada today and strongly consider beginning to scale in to long-term positions.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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