



## Is TransAlta Corporation a Good Investment?

### Description

**TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)) is both a power generator and a wholesales marketer of electricity. The company has been around for over 100 years and has assets in excess of \$9 billion, with over 70 power plants in Australia, Canada, and in the U.S.

The company's power generation is focused on coal and natural gas with a gradual transition over to renewable forms of energy such as wind and hydro.

Let's take a closer look at how TransAlta is doing to determine if the stock is the right investment for you.

### How is TransAlta doing?

TransAlta currently trades at \$6.69 per share. Year-to-date, the stock is up by an impressive 36%, but extending this figure out to a full year shows those gains are only making up for a drop from last summer. For the previous 12 months the stock is down by 31%.

TransAlta pays a dividend of just \$0.04 per quarter but, given the current stock price, this amounts to a yield of 2.39%. As the stock price has dropped over the years, so has the dividend-payout amount. As recently as a year ago the dividend was pegged to \$0.018 per share at a stock price that was closer to \$10.

In the most recent quarter the company posted \$568 million in revenue, down from the \$593 million reported for the same quarter last year. Despite this decrease, net earnings amounted to \$62 million, or \$0.22 per share, compared to a \$40 million loss, or a \$0.14 loss per share in the same quarter.

Cash flow from operations came in at \$275 million for the quarter, a significant increase over the \$153 million posted from last year. Comparable EBITDA for the quarter came in at \$279 million, slighter higher than the \$275 million posted in the same quarter last year.

The company managed to report a reduction in credit facilities, including long-term debt, tax equity, as well as finance lease obligations to \$4 billion, down from \$4.441 billion in the previous quarter. This

decrease reflects the company repaying some of the credit facilities using proceeds from asset sales.

## Looking ahead to the future

While the company did post better results than the previous quarter, there are still some points of concern for investors, leading many analysts to put a hold rating on the company for the moment.

A significant portion of TransAlta's revenues are generated from plants in Alberta that are run on coal. The new carbon policy that goes into effect next year in the province calls for strict limits on emissions and, among other things, enacts a zero-emission mandate for coal-fired plants by 2030.

That doesn't really give the company very much time to adapt to cleaner renewable energy; this may mean that some existing plants that haven't yet reached their life expectancy will be shuttered early.

Fortunately, the company has **TransAlta Renewables Inc.** ([TSX:RNW](#)) to fall back on. That company was spun off from TransAlta a few years ago and was given control of all of the renewable energy assets of the company.

As it stands now, the Renewables company is valued significantly higher than TransAlta and has a number of exciting projects in line, all of which will be in compliance with new carbon policies that are being implemented around the country.

TransAlta has worked hard at reducing costs and becoming more efficient—that part is evident in the most recent quarterly report. The part that is concerning, however, is that the company is still looking at coal plants while governments and consumers around the world are asking for the cleaner options that Renewables offers.

In my opinion, existing investors would be better off holding TransAlta as the company has been making improvements that are being reflected in the stock price. Investors who have not yet invested in TransAlta may be better served by seeking an investment in a renewable energy company that will benefit from the looming change coming from carbon policies around the world.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:RNW (TransAlta Renewables)
3. TSX:TA (TransAlta Corporation)

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