



## Is There Free Money to Be Had at TransAlta Corporation?

### Description

Looking at shares of **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)) for the first time, it would seem there is potentially free money to be had by buyers at the current price. It's been trading in the \$7-8 range for several months, and the breakout may only be beginning to take place.

Considering the balance sheet, the company has assets of approximately \$10.6 billion and liabilities of approximately \$7.2 billion, which translates to book value of \$11.84 per share. The goodwill and intangible assets should be taken into consideration if we're serious about this metric. By removing the goodwill and intangible assets, we come up with tangible book value per share in the amount of \$8.99 per share.

Depending on how detailed we want to be with our calculation, we could include the intangible assets and keep the goodwill out of the equation. Goodwill is the number added to the balance sheet when a buyout occurs, so the "asset" can't be sold separately or specifically identified. Intangible assets are amortized every year, and their useful lives can be measured with reliability. The tangible book value per share, including intangible assets but excluding goodwill, is \$10.23.

No matter how we want to split the goodwill and intangible assets, it seems the share price is a discount to the company's sticker price. The sale price is 13.6% off, 24% off, or 34.4% off. Assuming we take the most strict metric and a share price trading at a discount of 13.6%, we are in prime position to have exposure in the electricity space without any exposure in the oil space.

Going back to the rise and fall of oil, TransAlta Corporation didn't have any exposure, so the company missed the incredible run-up and subsequent collapse in this sector.

Currently, the company is divided into a number of segments; it has the ability to produce renewable energy, but it also has the older coal-production division. Clearly, not all divisions have a bright future. With a significant amount of the company's EBITDA (earnings before interest, taxes, depreciation, and amortization) coming from coal (approximately 42% in 2015), it would seem there is still enough downside potential for investors to keep their distance from this company.

Looking at the income statement and dividends, the company has been experiencing a challenging

marketplace as of late. With generally flat revenues and losses in three of the past four years in addition to losses in one of the three quarters in 2016, investors may want to think long and hard; is this really an investment which is suitable for your portfolio?

Further, what used to be a very healthy dividend of \$0.29 per quarter was cut to \$0.18 per quarter in 2014 and then again to \$0.04 per quarter in 2016. Long-term investors haven't been able to make any headway in the past five years, losing approximately 60% of their investments. What the next five years will offer remains to be seen.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

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

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