



TransCanada Corporation's Adjusted Q2 EPS Jumps 46.2%: Buy Now?

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)), one of North America's largest owners and operators of energy infrastructure, announced its second-quarter earnings results before the market opened on Friday, and its stock responded by remaining relatively flat in the trading session that followed. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

A phenomenal quarter of double-digit percentage growth

Here's a chart of eight of the most notable statistics from TransCanada's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Revenues	\$3,217 million	\$2,751 million	16.9%
Comparable EBITDA	\$1,830 million	\$1,369 million	33.7%
Comparable earnings	\$659 million	\$366 million	80%
Comparable earnings per share (EPS)	\$0.76	\$0.52	46.2%
Net cash provided by operations	\$1,353 million	\$1,148 million	17.9%
Comparable funds generated from operations	\$1,408 million	\$1,056 million	33.3%
Comparable distributable cash flow (DCF)	\$936 million	\$702 million	33.3%
Comparable DCF per share	\$1.08	\$1.00	8%

Should you buy TransCanada today?

It was an outstanding quarter overall for TransCanada, and it capped off an incredible first half of the year for the company, in which its revenues increased 25.8% year over year to \$6.61 billion, its comparable EPS increased 27.9% year over year to \$1.56, and its comparable DCF per share increased 4.6% year over year to \$2.49. Its second-quarter results also surpassed the consensus estimates of analysts polled by **Thomson Reuters**, which called for comparable EPS of \$0.68 on

revenue of \$3.14 billion.

With all of this being said, I think TransCanada's stock should have reacted by rallying on Friday, and I think it represents a great investment opportunity for the long term for two reasons in particular.

First, it trades at attractive valuations. TransCanada's stock trades at just 21.8 times fiscal 2017's estimated EPS of \$2.91 and only 19.8 times fiscal 2018's estimated EPS of \$3.20, both of which are very inexpensive given its current double-digit growth rate and its estimated 8.5% long-term growth rate.

Second, it has a fantastic dividend. TransCanada pays a quarterly dividend of \$0.625 per share, equal to \$2.50 per share annually, which gives it a beautiful 3.9% yield. It's also very important to note that its 10.6% dividend hike in February has it on pace for 2017 to mark the 17th consecutive year in which it has raised its annual dividend payment, and it has a dividend-growth program in place that calls for annual growth of 8-10% through 2020, making it both a high-yield and dividend-growth play.

With all of the information provided above in mind, I think all Foolish investors should strongly consider making TransCanada a long-term core holding.

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