

TransAlta Corporation Is Trading at 52-Week Lows: Is it Time to Buy?

Description

TransAlta Corporation ([TSX:TA](#))([NYSE:TAC](#)) has been having a rough time. Over the last 10 years, the stock has been on the decline, falling from highs of over \$37 back in 2008 to \$6.80 today.

In 2015, TransAlta reported big losses in its coal and energy trading businesses, it was removed from the **S&P/TSX 60 Index**, it was found guilty and fined \$50 million in the market-manipulation case against it, and it was forced to cut its dividend substantially.

To top it all off, the company was downgraded by **Moody's** to non-investment grade in that same year.

So, where are we now?

Well, it doesn't look good.

Coal still represents 30% of the company's cash flow, which is down significantly from a few years ago, but it's still a big contributor. Alberta power pricing is still under pressure, with many possibilities as to where it might settle, so there's still a lot of uncertainty.

And with a dividend yield of a mere 2.3%, investors get little support there either.

So, despite TransAlta trading at 52-week lows, I still see a much better investment case in many other of the [utility names](#).

I would zero in on the following renewables companies, each of which has their own merits. They are all better places for investors to turn to for yield and upside.

Renewables are the future. TransAlta is still struggling to rid itself of the past (coal).

TransAlta Renewables Inc. ([TSX:RNW](#)), with 18 wind facilities across Canada and the U.S., is Canada's largest wind power generator.

With a dividend yield of 6.9%, TransAlta Renewables offers investors a high yield that is supported by quality assets that are fully contracted with an average term of 15 years.

Going forward, the company will continue to see growth from more drop-down transactions from TransAlta Corporation and from acquisitions. This should support dividend growth as well.

Northland Power Inc. ([TSX:NPI](#)) is another strong renewables energy provider. With a dividend yield of 5.1%, this independent power producer is dedicated to developing, building, owning, and operating facilities in Canada and internationally.

Brookfield Renewable Partners L.P. ([TSX:BEP.UN](#)) has a 5.8% dividend yield, as the company pays investors to invest in its business.

With its well-timed acquisitions of Terraform Power and First Hydro, as well as projects the company has under development in Europe and Brazil, cash flow is expected to grow at a faster rate than management's expected distribution growth target of 5-9%.

Brookfield has a low-risk portfolio of assets in the form of long-life contracted assets and low-cost hydro facilities.

In summary, as far as utilities go, TransAlta Corporation is not the best place to invest, despite trading at [52-week lows](#), and investors would be better served to look elsewhere to get higher yield and better growth prospects.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:TAC (TransAlta Corporation)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:NPI (Northland Power Inc.)
5. TSX:RNW (TransAlta Renewables)
6. TSX:TA (TransAlta Corporation)

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