



## Canadians: This TSX Stock Is Up 15% in 2020

### Description

Coronavirus or no, one thing is certain: clean energy is here to stay. **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)) owns, operates and develops over 70 electrical power generation assets in Canada, the United States and Australia. The company's diverse assets include hydro, wind, solar, gas and coal plants.

It's one of Canada's largest producers of wind, and Alberta's largest producer of hydro-electric power, making TA Canada's largest provider of clean electricity.

The company reported its 2019 fourth-quarter and full-year results for the year and the numbers are good. TransAlta delivered \$379 million of free cash flow, above management expectations coming into 2019, and above prior-year results.

The company also recovered an additional \$56 million in cash from the Sundance PPAs that were terminated in 2018. So when you take those two numbers together, total free cash flow in 2019 was \$435 million — a great result for this company.

At the end of 2019, TransAlta had \$1.3 billion available on its credit facilities and over \$400 million of cash on hand. This is a strong liquidity position, setting up funding for TA's coal-to-gas program and other development projects.

In the fourth quarter of 2019, TransAlta advanced its clean energy investment plan by commissioning 119 MW (megawatts) of new wind generation and acquiring two gas turbines for the Sundance 5 repowered combined cycle unit project. It also entered into an agreement to construct and own a new 40 MW cogeneration facility.

In 2019, TransAlta announced a transformative strategic investment by **Brookfield Renewable Partners** with receipt of the first \$350 million tranche of the \$750 million investment, thus advancing the former's coal-to-gas conversion strategy.

The company is targeting a free cash flow of between \$325 million to \$375 million for 2020 which is pretty similar to the numbers for 2019.

## What's next for investors?

TransAlta used to trade in the \$30s in 2008. It [took a beating during the financial crisis](#) and its stock fell to below \$5 in 2015. TA was saddled with debt and the company slashed dividends from \$0.29 to \$0.18, and then to \$0.04 per share.

However, TransAlta has been steadily increasing its dividend in the last few years, which shows that it's well on track to its glory days of old.

After announcing their 2019 results, TransAlta declared an increase in the annualized dividend to \$0.17 per share, representing a 6.25% increase from the last dividend declared. That said, its dividend yield today is less than 2%, which might not attract income investors.

Perhaps the most enticing aspect of TransAlta's is its stake in its subsidiary **TransAlta Renewables**. The company stake in TransAlta Renewables is almost \$3 billion.

However, TA's market capitalization is currently less than \$2.95 billion. Much of the potential value lies unlocked in TA. It's a stock that's ripe for picking, with lots going for it, and smart investors shouldn't hesitate to add this energy stock to their portfolio.

### CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:TA (TransAlta Corporation)

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