



Could TC Energy (TSX:TRP) Stock Fall to \$40 After its Q3 Results?

Description

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) announced its Q3 results on October 29. The event seemingly disappointed investors, as its stock fell by 1.1% for the day. The event may have raised some major concerns about TC Energy's financial growth in the near term. Let's take a look.

TC Energy's Q3 results

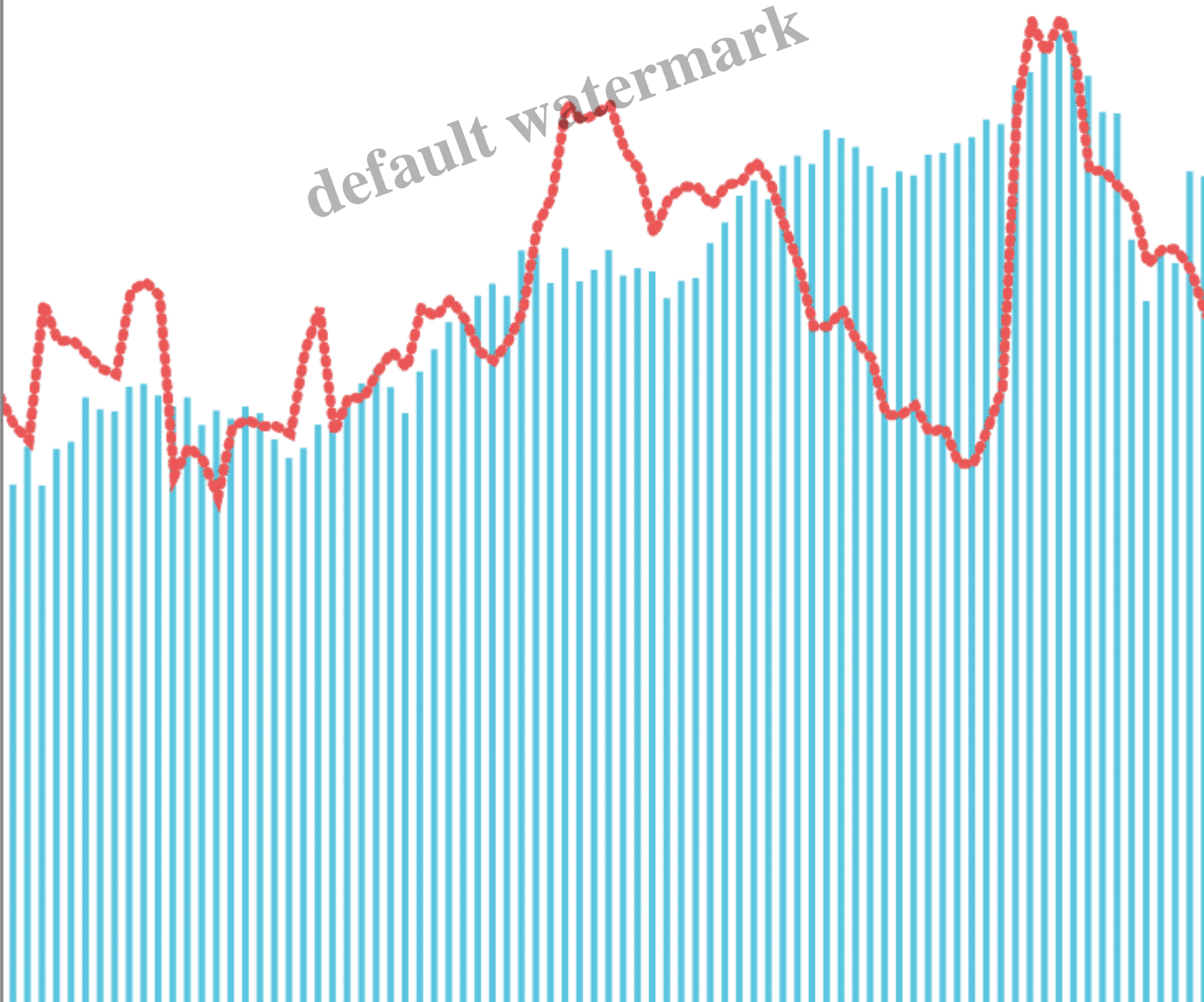
In the third quarter, TC Energy reported \$0.95 earnings per share — up 3.3% from \$0.92 in the previous quarter but 8.7% weaker on a year-over-year (YoY) basis. It was the second consecutive quarter when TC Energy's EPS fell on a YoY basis. Nonetheless, its Q3 quarterly earnings were at par with Bay Street analysts' estimate of \$0.94.

During the quarter, the company's revenue rose by 2% YoY to \$3.20 billion but missed analysts' consensus revenue estimate of \$3.22 billion by a narrow margin — marking the seventh quarter in a row when TC Energy's total sales fell short of analysts' consensus estimates.



TRP Tc Energy Corp. 39.35 USD -0.32 -0.81%

TRP Tc E



Margins contracted

In Q3, TC Energy's adjusted EBITDA fell by 2.1% YoY to \$2.3 billion and its adjusted net profit saw a 7.9% decline to \$893.00 million. As a result, its net profit margin fell to 28% — lower as compared to 31% a year ago.

Notably, COVID-19 has hurt energy demand across the world. While a sharp recovery in the Chinese economy has helped the energy demand to improve in Asia to some extent, it remains comparatively weak in North America, hurting energy companies — including TC Energy — that mainly focus on the North American market.

What's next?

Currently, TC Energy stock is trading without any quarter-to-date change at \$52.82 per share. By comparison, the **S&P/TSX Composite Index** has lost 2.8% in the fourth quarter.

Apart from affecting the energy demand, the pandemic has also increased global crude oil markets' volatility. TC Energy's management [acknowledges](#) that this volatility has significantly impacted its market link and liquids marketing business. TC Energy's stock has been trading on a negative note for the last three quarters. A prolonged pandemic and weak economic outlook could make a recovery in its stock really difficult in the next couple of quarters.

What are analysts recommending?

A total of 24 analysts are tracking TC Energy stock. Among these 24 analysts, about 20, or approximately 83%, suggest a “buy” with a target price of \$71.61 for the next 12-month period. About 17% of these analysts recommend “hold” on the stock, and no analyst is recommending a “sell.” Bay Street's consensus target price on the stock is \$71.61 — showcasing upside potential of 35.6% from its Thursday's closing price.

Could the stock fall to \$40?

Despite analysts' positive target price on its stock, it's in a strong medium-term downtrend. The stock fell below a key support level of \$54.60 earlier this week. Continued dismal fundamentals like weakening profitability and slowing revenue growth along with a challenging macro environment could take its stock further down towards a major support level near \$40.30.

TC Energy has been one of the top dividend stocks in the Canadian [energy sector](#). Currently, the company offers a solid 6.1% dividend yield. However, I don't consider its solid dividends alone to make to worth buying at the moment.

CATEGORY

1. Dividend Stocks
2. Energy Stocks

3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/10

Date Created

2020/10/30

Author

jparashar

default watermark

default watermark