



TC Energy Corporation (TRP)

Updated May 14th 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$47	5 Year CAGR Estimate:	7.5%	Market Cap:	\$50.0 B
Fair Value Price:	\$63	5 Year Growth Estimate:	-3.0%	Ex-Dividend Date:	6/30/2025
% Fair Value:	74%	5 Year Valuation Multiple Estimate:	6.2%	Dividend Payment Date:	7/31/2025
Dividend Yield:	5.1%	5 Year Price Target	\$54	Years Of Dividend Growth¹:	25
Dividend Risk Score:	F	Sector:	Energy	Rating:	Hold

Overview & Current Events

On May 3rd, 2019, TransCanada Corporation changed its name to TC Energy Corporation. TC Energy Corporation operates Canada's largest natural gas pipeline system. It owns more than 58,000 miles of natural gas pipelines and more than 3,000 miles of liquids pipelines and operates in three segments: Natural Gas Pipelines, Oil Pipelines, and Energy. The Natural Gas Pipelines segment generated 60%-75% of the total earnings in each of the last 4 years. TC Energy is headquartered in Calgary, Alberta, Canada, and its stock is cross listed on the Toronto Stock Exchange and the New York Stock Exchange, where it trades with a market cap of US\$50.0 billion. In this report, all figures are in U.S. dollars.

On October 1st, 2024, TC Energy completed the spin-off of its Oil Pipelines. Every shareholder received 1 new share of TC Energy and 0.2 shares of South Bow. In the fourth quarter, the dividend of new TC Energy was reduced in line with the spin-off but the total dividend was not reduced. Management expects the spin-off to help focus better on each segment, but we do not see any material benefit from the spin-off.

In early May, TC Energy reported (5/1/25) results for the first quarter of 2025. It is largely insulated from downturns thanks to its regulated assets and its long-term contracts, which generate 95% of its EBITDA. In the quarter, it grew the volumes in its network but earnings-per-share dipped -7% over the prior year's quarter due to higher depreciation and interest expense. Management stated that it remains on track to place \$8.5 billion of assets into service this year. Management also reiterated its guidance for an approximate -4% decrease in comparable EBITDA, from \$11.2 billion to \$10.7-\$10.9 billion, as well as lower earnings-per-share this year due to higher depreciation, net interest expense and effective tax rate. Accordingly, we still expect a -3% decrease in earnings-per-share this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-\$1.26	\$0.12	\$2.38	\$2.97	\$3.18	\$3.31	\$3.35	\$3.31	\$5.71	\$5.36	\$5.20	\$4.47
DPS	\$1.50	\$1.68	\$1.99	\$2.12	\$2.31	\$2.41	\$2.76	\$2.74	\$2.74	\$2.50	\$2.42	\$2.76
Shares²	702.6	863.8	881.4	918.0	938.0	940.0	981.0	1,018.0	1,037.0	1,038	1,040	1,200.0

TC Energy's growth strategy has been to raise capital (in the form of either debt or equity) to fund growth projects. Over the last decade, until 2017, this strategy failed to generate meaningful growth for the company *on a per-share basis*, as the additional net income generated by these projects was offset by the increased share count.

However, we believe that the next several years will show an improvement for TC Energy thanks to a strong pipeline of growth projects. TC Energy has ~\$30 billion of growth projects underway, including \$8.5 billion of projects in 2025. These projects are supported by regulated or long-term contracted business models. However, we have assumed a -3% average annual decrease of earnings-per-share over the next five years due to a somewhat high comparison base this year. Management has guided for 3%-5% dividend growth per year, though the high leverage is a concern. We have assumed 3% annual dividend growth.

¹ In CAD.

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	24.2	14.3	15.1	13.9	14.4	15.2	6.8	7.8	9.0	12.2
Avg. Yld.	3.8%	4.0%	4.1%	5.0%	4.8%	5.2%	5.7%	5.4%	7.1%	6.0%	5.1%	5.1%

Excluding 2015 and 2016, when the company's earnings were depressed, TC Energy has traded at an average price-to-earnings ratio of 14.3 over the last decade and at an average price-to-earnings ratio of 12.2 over the last five years. The stock is currently trading at a price-to-earnings ratio of 9.0, which is much lower than our assumed fair earnings multiple of 12.2. If the stock trades at a price-to-earnings ratio of 12.2 in five years, it will enjoy a 6.2% annualized gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

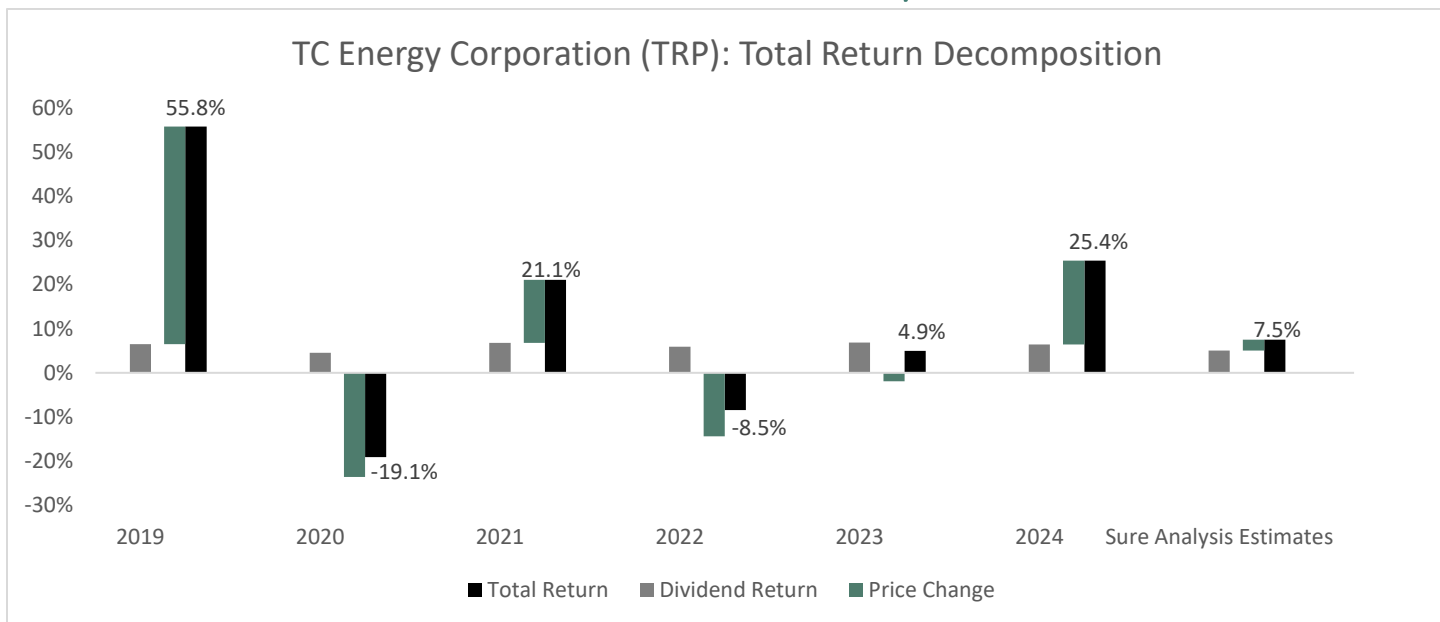
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	83.6%	71.4%	72.5%	72.8%	82.4%	82.8%	48.0%	46.6%	46.5%	61.9%

TC Energy has been investing heavily in growth projects in the last decade and will continue to do so in the years ahead. Consequently, it has posted negative free cash flows in 9 out of the last 10 years and has a leveraged balance sheet, with interest coverage of only 2.1x and net debt that is about 10 times its earnings. The company is exposed to unforeseen headwinds, such as a downturn in the energy market or a recession. In addition, as it often issues new shares, it dilutes its shareholders at a high rate whenever its stock declines. On the other hand, the stock is not likely to cut its dividend in the absence of a downturn thanks to the strong momentum in its business and the increasing contribution of new projects to its cash flows. TC Energy proved resilient to the pandemic, which hurt the natural gas market much less than the oil market.

Final Thoughts & Recommendation

TC Energy Corporation has decelerated lately due to tough comparisons. The stock could offer a 7.5% average annual return over the next five years thanks to its 5.1% dividend and a 6.2% valuation tailwind, partly offset by a -3% decrease in earnings-per-share. It thus maintains its hold rating. Due to its high leverage, its poor free cash flows and its tendency to dilute shareholders, investors should be aware of the risk of the stock in the event of an unforeseen downturn.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	8,895	9,475	10,377	10,556	9,987	9,702	10,678	11,512	11,801	10,046
Gross Profit	5,354	5,951	6,515	7,156	7,308	7,226	8,597	5,324	5,741	4,819
Gross Margin	60.2%	62.8%	62.8%	67.8%	73.2%	74.5%	80.5%	46.2%	48.6%	48.0%
D&A Exp.	1,383	1,464	1,586	1,813	1,857	1,933	2,012	1,986	2,057	2,034
Operating Profit	2,767	3,036	3,501	4,384	4,359	4,332	4,711	4,672	5,077	4,221
Operating Margin	31.1%	32.0%	33.7%	41.5%	43.7%	44.6%	44.1%	40.6%	43.0%	42.0%
Net Profit	(898)	176	2,436	2,857	3,119	3,445	1,559	575	2,164	3,427
Net Margin	-10.1%	1.9%	23.5%	27.1%	31.2%	35.5%	14.6%	5.0%	18.3%	34.1%
Free Cash Flow	(35)	(176)	(1,774)	(2,592)	(829)	(804)	770	(271)	(652)	976
Income Tax	27	266	(69)	333	568	145	96	453	698	673

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	46,406	65,307	68,470	72,627	76,002	78,657	81,738	84,253	94,252	82,388
Cash & Equivalents	613	754	866	327	1,028	1,200	528	457	2,773	558
Acc. Receivable	999	1,539	2,006	1,861	1,854	1,695	2,425	2,670	3,173	1,819
Inventories	233	273	301	316	346	493	568	904	971	520
Goodwill & Int.	4,933	11,906	10,879	11,181	9,866	9,943	9,868	9,463	9,447	9,525
Total Liabilities	33,324	46,036	47,086	49,872	51,201	52,715	55,546	59,116	64,847	55,660
Accounts Payable	1,085	1,812	2,264	2,367	2,537	2,397	3,281	3,190	3,642	2,577
Long-Term Debt	25,282	33,269	34,601	36,887	38,200	38,865	41,384	42,956	47,641	41,364
Total Equity	10,045	15,039	16,747	18,618	20,503	21,502	23,360	23,203	20,393	17,484
D/E Ratio	2.13	1.85	1.74	1.71	1.62	1.58	1.59	1.72	2.14	2.15

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-1.9%	0.3%	3.6%	4.0%	4.2%	4.5%	1.9%	0.7%	2.4%	3.9%
Return on Equity	-7.3%	1.4%	15.3%	16.2%	15.9%	16.4%	7.0%	2.5%	7.9%	12.2%
ROIC	-2.2%	0.4%	4.5%	4.9%	5.1%	5.4%	2.4%	0.8%	3.0%	4.7%
Shares Out.	702.6	863.8	881.4	918.0	938.0	940.0	981.0	996.0	1030	1038
Revenue/Share	12.55	12.47	11.87	11.69	10.73	10.32	10.96	11.56	11.46	9.67
FCF/Share	(0.05)	(0.23)	(2.03)	(2.87)	(0.89)	(0.86)	0.79	(0.27)	(0.63)	0.94

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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