



TransAlta Corporation (TAC)

Updated November 19th, 2025 by Josh Arnold

Key Metrics

Current Price:	\$14.42	5 Year CAGR Estimate:	-11.6%	Market Cap:	\$4.28 B
Fair Value Price:	\$4.20	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	12/01/2025
% Fair Value:	343%	5 Year Valuation Multiple Estimate:	-21.9%	Dividend Payment Date:	01/01/2026
Dividend Yield:	1.3%	5 Year Price Target	\$6.76	Years Of Dividend Growth:	6
Dividend Risk Score:	F	Sector:	Utilities	Rating:	Hold

Overview & Current Events

TransAlta Corporation is an electric energy utility that is based in Calgary, Canada. The company was founded in 1909 and has grown into a diversified provider of electric energy. It operates through the following operating segments: Hydro, Wind and Solar, Gas, Energy Transition, and Energy Marketing. Through these segments the company provides over 6,000 MW of combined power, with the bulk coming through Gas, and Wind and Solar. The company provides a range of traditional fossil fuel-based generation options, as well as renewable options. It serves customers primarily in Canada, but also has a small business in the US, as well as Australia. TransAlta reports results in Canadian dollars but throughout this report, we use US dollars. The current translation rate is \$0.71 USD for \$1 CAD. The company has a market cap of \$4.28 billion on its NYSE-listed stock, and generates about \$2.1 billion in annual revenue.

TransAlta posted third quarter earnings on November 6th, 2025, and results were somewhat weak, and definitely remain quite volatile. The company noted revenue of \$442 million, and fractional adjusted earnings. Operational availability fell from 94.5% a year ago to 92.7% in the most recent quarter.

Adjusted EBITDA was \$238 million, down from \$315 million a year ago. Free cash flow suffered as well, declining from \$131 million to \$105 million year-over-year. Adjusted earnings before taxes were \$17 million, down sharply from \$102 million a year ago.

Cash flow from operating activities was \$251 million, up from \$229 million year-on-year.

The company noted continued progress on its key priorities, including its Alberta data center strategy. The company is hoping the cooler climate inherent to its home will help it offer lower running costs for data centers than other parts of North America.

We now see a loss of 20 cents per share for this year, but assume earnings power of 15 cents per share for our growth calculations. TransAlta's earnings remain extremely volatile and that is likely to continue for the foreseeable future.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	(\$0.25)	(\$0.04)	(\$0.18)	(\$0.54)	(\$0.47)	(\$0.51)	\$0.07	\$0.32	\$1.20	\$0.46	-\$0.20	\$0.24
DPS	\$0.52	\$0.12	\$0.13	\$0.12	\$0.12	\$0.14	\$0.15	\$0.16	\$0.17	\$0.17	\$0.19	\$0.21
Shares¹	280	288	288	287	283	275	271	271	276	302	300	300

TransAlta only became profitable in 2021 after years of sustained losses. After seeing earnings explode from a loss of 51 cents in 2020 to profit of \$1.20 in 2023, the company's fortunes have worsened once more. We are comfortable estimating 15 cents per share in earnings power and modest growth from there.

We note that the provincial government of Alberta has a strategy to attract ~\$70 billion in investment over the next five years to provide power for data centers. Alberta is uniquely situated to provide build-out space for data centers as it has low income taxes, abundant natural gas, and cold temperatures that help keep servers cool. Should this come to

¹ Share count is in millions.

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fruition, TransAlta could be a significant beneficiary of this build out. It is important to note this is an idea at this point, and the underlying business has struggled to grow consistently.

TransAlta looks to buy back \$100 million of its own shares in 2025 based upon current guidance, which would provide a tailwind to earnings-per-share. Strength in earnings could accrue from Wind and Solar, as well as Energy Marketing based upon current guidance.

The company raised its dividend by 8.3% in Canadian dollars to a new payout of ~19 cents annually in USD. We see modest dividend growth in the years ahead unless there's a big increase in earnings power. We note significant currency volatility is impacting the dividend for US investors.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	---	---	---	---	28.4	6.7	30.8	---	28.0
Avg. Yld.	14.7%	2.2%	2.2%	2.7%	1.7%	1.8%	1.4%	1.8%	2.1%	1.2%	1.3%	3.1%

Given TransAlta hasn't produced reliable profits, we cannot use historical data to create a fair value estimate. We have the stock with an estimate of fair value at 28X earnings based upon sector multiples. TransAlta is a high-risk/high-reward small cap utility, so investors would do well to keep that in mind if considering shares.

The yield is okay at 1.3%, but we expect it to rise over time based upon current earnings estimates.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	---	50%	14%	37%	---	87%

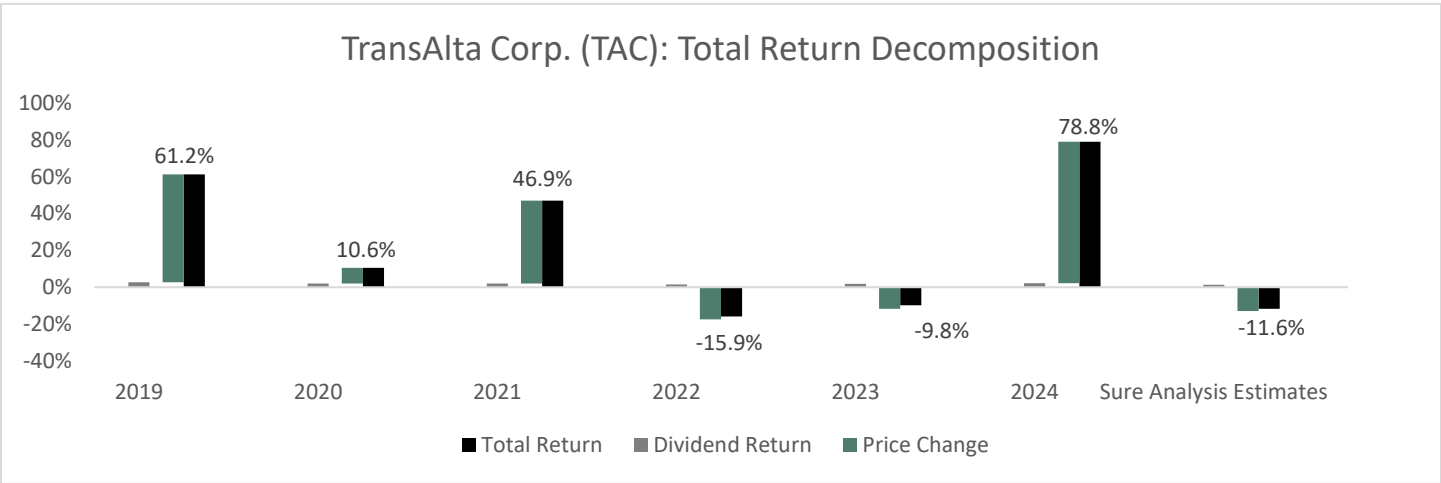
Safety is not something TransAlta scores highly in given the enormous volatility in its profits over time. Indeed, the idea that TransAlta will even produce a profit is not assured. We think the payout can be defended temporarily with negative earnings, but that will not last forever.

Net debt is well over \$2 billion, which is enormous for a company the size of TransAlta. It's possible a recession that causes a downturn in earnings could be hugely damaging to TransAlta's ability to service its debt.

Final Thoughts & Recommendation

We see a weak outlook for the stock, but rate it a hold for now. Modest growth, a stretched dividend that provides a ho-hum yield, and an overvalued stock mean we think there are better options available in the utility space.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,776	1,810	1,780	1,735	1,768	1,568	2,170	2,287	2,485	2,075
Gross Profit	986	1,083	996	887	950	846	1,188	1,257	1,617	1,309
Gross Margin	55.5%	59.8%	56.0%	51.1%	53.7%	53.9%	54.7%	54.9%	65.1%	63.1%
SG&A Exp.	196	188	191	189	172	175	187	202	188	216
D&A Exp.	474	501	546	548	534	596	573	460	460	387
Operating Profit	135	365	106	35	139	(34)	301	377	735	424
Operating Margin	7.6%	20.2%	5.9%	2.0%	7.8%	-2.1%	13.9%	16.5%	29.6%	20.4%
Net Profit	17	128	(123)	(153)	62	(214)	(428)	38	515	167
Net Margin	1.0%	7.1%	-6.9%	-8.8%	3.5%	-13.7%	-19.7%	1.7%	20.7%	8.0%
Free Cash Flow	(55)	276	183	404	315	151	408	(55)	427	347
Income Tax	82	29	49	(5)	13	(37)	36	148	62	58

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,889	8,156	8,194	6,922	7,279	7,644	7,236	7,914	6,527	6,619
Cash & Equivalents	39	226	250	65	315	551	743	836	262	235
Accounts Receivable	312	331	551	438	305	383	391	858	452	397
Inventories	158	158	174	178	192	187	131	116	118	93
Goodwill & Int. Ass.	601	607	658	615	599	609	564	528	518	556
Total Liabilities	4,725	4,697	4,707	3,887	4,169	4,949	5,202	6,449	5,273	5,334
Accounts Payable	241	306	473	364	316	470	513	788	582	484
Long-Term Debt	3,180	3,180	2,893	2,352	2,600	2,789	2,747	2,854	2,766	3,071
Shareholder's Equity	1,743	1,905	1,896	1,509	1,546	1,106	502	124	449	560
LTD/E Ratio	1.31	1.22	1.09	1.07	1.15	1.51	2.21	3.49	2.39	2.52

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.2%	1.6%	-1.5%	-2.0%	0.9%	-2.9%	-5.8%	0.5%	7.1%	2.5%
Return on Equity	0.5%	3.9%	-3.6%	-4.7%	2.0%	-7.4%	-18.1%	2.2%	37.8%	13.2%
ROIC	0.3%	2.0%	-1.9%	-2.6%	1.1%	-3.8%	-8.3%	0.8%	12.3%	4.0%
Shares Out.	280.0	288.0	288.0	287.0	283.0	275.0	271.0	271.0	276.0	302.0
Revenue/Share	6.34	6.28	6.18	6.05	6.25	5.70	8.01	8.44	9.00	6.87
FCF/Share	(0.20)	0.96	0.64	1.41	1.11	0.55	1.51	(0.20)	1.55	1.15

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

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