

# TC ENERGY CORP.

TSX-TRP; NYSE-TRP

## REDUCE

Current Price C\$68.27  
 Intrinsic Value C\$65.00  
 Current Yield 5.7%

## TRP FOOTS CGL BILL

Cost escalation at Coastal GasLink exposes TRP to near-term credit risk, with its key debt-to-EBITDA ratio likely to peak near 6x in the coming quarters, with de-leveraging as development proceeds later in 2023. TRP's dividend is safe, but growth might be lower given elevated credit rating risk. We rate TRP a REDUCE on its still-elevated balance sheet risk.

### QUALITY RATING

#### Accounting & Disclosure

3/5

TRP could score higher with more detailed guidance in its own financial reports. However, details available in TRP's subsidiary filings are well above average, facilitating asset-level analysis.

#### Adjusted Cash Flows

4/5

TRP's TTM Q2-F22 AFFO yield is below only TA, CPX and ACO.X. However, growth will be challenged by heightened CGL execution risk amidst high inflation and rising interest rates.

#### The Balance Sheet

2/5

We think CGL exposure could send TRP's debt-to-EBITDA near 6x in the coming quarters before technical commissioning of the pipeline meaningfully de-levers TRP's balance sheet in late 2023-early 2024.

#### Business Operations

4.5/5

TRP is amongst the safest infrastructure stocks we cover, with contractual arrangements underpinning inherently low risk natural gas, oil and power investments across North America.

#### Corporate Governance

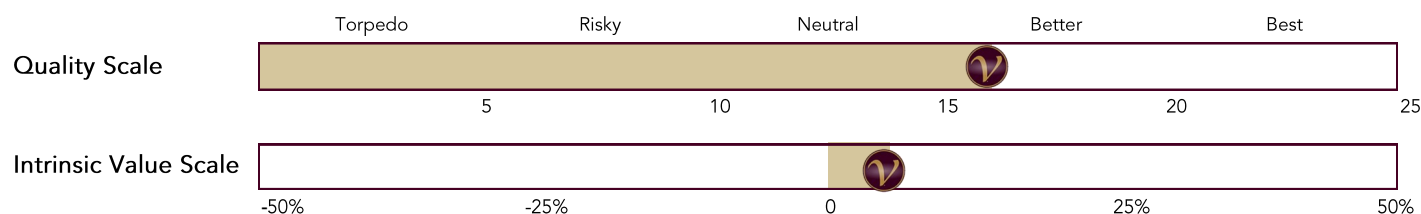
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TRP successfully de-risked KXL by involving outside investors. With oil pipeline development on the back-burner, TRP is focusing on robust growth potential within gas infrastructure buildout and, to a lesser extent, nuclear power development.

### INTRINSIC VALUE

Our \$65 per share TRP value estimate is a function of asset-level value estimates implying a range of required returns of 6.8% on its tax assets to 12.5% on Mexican gas pipelines. With long-term debt costs below 5%, value accretion occurs across

For the Period Ended (Amounts in C\$)	Q2-F22	F21	F20
Share price	\$66.68	\$58.83	\$51.75
Shares (millions)	984.0	980.8	960.1
Market capitalization (millions)	\$65,613	\$57,701	\$49,683
Net debt (millions)	\$59,298	\$55,768	\$54,787
Enterprise value (millions)	\$124,911	\$113,469	\$104,471
Adjusted EBITDA (TTM)	\$10,981	\$10,010	\$9,840
AFFO per share (TTM)	\$6.36	\$5.41	\$5.42
EV / EBITDA (TTM)	11.4x	11.3x	10.6x
AFFO yield (TTM)	9.5%	9.2%	10.5%
Net debt-to-EBITDA (TTM)	5.3x	5.4x	5.1x



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