



## 5 Top Reasons to Invest in Altagas Ltd.

### Description

Some people buy GICs for guaranteed returns. However, investing in stable dividend-growth companies such as **Altagas Ltd.** ([TSX:ALA](#)) can increase your returns substantially.

Heck, excluding the price-appreciation potential, the company offers a dividend yield of over 6%, which generates an income of more than quadruple the rate of one-year-term GICs.

Here are the top reasons why you should consider owning Altagas.

### Track record of execution

From an initial investment of \$37,000 in the midstream business in 1994, Altagas has grown to a diversified \$10 billion asset company, which operates in Canada and the United States.

Since the end of 2010, Altagas has grown its assets from \$3 billion to more than \$10 billion. It achieved that growth through a mix of construction projects and acquisitions. In the same period it steadily increased its EBITDA while reducing its commodity exposure from 50% to the expected 1% this year.

As an example of a construction project, Altagas recently completed the natural gas-processing Townsend facility ahead of schedule and under budget.

The facility began operating in early July, and management expects it to generate normalized EBITDA of about \$20 million for the year.

### Diversified portfolio of assets

Altagas is a diversified energy infrastructure business.

First, its midstream business processes and transports about two billion cubic feet of natural gas products daily.

Second, its power business generates about 1,700 megawatts of power with clean-energy sources using gas-fired, wind, biomass, and hydro facilities.

Third, it has five utilities that deliver natural gas to 560,000 commercial and residential clients in British Columbia, Alberta, Nova Scotia, Michigan, and Alaska.

### **Earnings from the U.S.**

Altagas earns 50% of EBITDA from the U.S. and 50% from Canada. The company continues to benefit from a favourable exchange rate. A stronger U.S. dollar implies higher earnings.

### **Stable earnings and cash flow**

As noted earlier, Altagas has little commodity exposure. The company earns 79% of its EBITDA from regulated utility and contracted power businesses, which are low-risk investments. The remaining 20% generated from its midstream business is not exactly high risk either. Altagas generates cash flows that are supported by long-term contracts with weighted averages of 14-17 years.

### **A high, sustainable, and growing yield**

Stable growth in its earnings and cash flows makes a strong dividend. Indeed, since 2010 Altagas has grown its dividend per share at a rate of 8%.

Altagas pays out about 60% of its funds from operations, which is in the middle among its peers. So, Altagas's FFO alone easily covered its dividend and a part of its capital spending for the year.

### **Conclusion**

Altagas is a stable, diversified energy infrastructure company with a strong history of execution. It has an investment-grade credit rating of BBB from S&P and DBRS.

Altagas offers a growing yield, which sits at 6.1% today. The company would be a nice addition to a diversified income portfolio and would be an especially good place to start averaging in if it fell to the \$31-32 level.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)

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