



## This Dividend-Growth Stock Is a Bargain

### Description

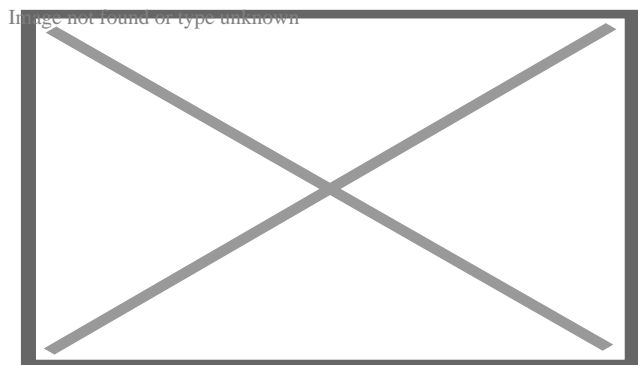
Tax-Free Savings Accounts (TFSAs) are great for saving, but they're even better for investing in quality dividend-growth stocks, which will help you maintain your purchasing power. Better yet, if you buy these stocks when they're undervalued, you can get above-average price appreciation as well.

**Altagas Ltd.** ([TSX:ALA](#)) is a bargain and should be considered by income and total returns investors looking for stability.

### Dividend growth

Since transforming from an income trust to a corporation in 2010, Altagas has increased its dividend per share at a compound annual growth rate (CAGR) of 6.9%.

Altagas aims to grow its dividend at a CAGR of 8-10% through 2021. In the long run, it targets a payout ratio of 50-60% of its funds from operations with roughly 90% of its dividends underpinned by long-term contracted cash flow.



### Acquiring WGL

The shares of the diversified North American energy infrastructure company remain depressed as management makes an ongoing effort in acquiring **WGL Holdings**. Altagas aims to complete the

merger by mid-2018.

WGL has a high S&P credit rating of A and is primarily a gas-regulated utility that serves 1.1 million customers with a rate base of \$2.6 billion in high-growth and economically strong areas: Washington D.C., Maryland, and Virginia. It also provides retail gas and electricity to about 275,000 customers and has some power and midstream assets.

Altagas's portfolio is currently diversified across five regulated gas-distribution utilities (~35% of earnings), 1,688 MW of power generation from natural gas and renewable sources as well as 20 MW of power storage (~40%), and processing and transporting natural gas and natural gas liquids (~25%).

So, WGL's portfolio of utility, power, and midstream assets fits well with Altagas's portfolio. Both portfolios have a focus on high-quality and low-risk energy infrastructure assets.

This is not the first time Altagas is venturing into the U.S. either, as it already generates about 50% of its earnings from there.

### **A great value today**

At \$29.30 per share, Altagas offers a whopping yield of nearly 7.2%! A recent report at **Thomson Reuters** indicates a 12-month mean price target of \$35.10 per share on the stock, which represents 19.8% of upside potential and total returns of nearly 27% in the near term.

### **Investor takeaway**

Investors should keep in mind that Altagas has some subscription receipts which were used to fund the acquisition. And they will remain outstanding until the company acquires WGL.

If Altagas fails to acquire WGL, the company will be buying back those receipts at \$31 per receipt. So, the Altagas common shares likely won't trade much higher than \$31 until the results of the WGL acquisition becomes clear.

Altagas shares tend to experience lower volatility than the market. With a yield of 7.2%, growing dividends, and strong upside potential, the company is an excellent long-term entry point for conservative income and total returns investors.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**

2025/08/07

**Date Created**

2017/07/11

**Author**

kayng

default watermark

default watermark