



## Should You Buy Altagas Ltd. After it Hiked its Dividend?

### Description

**Altagas Ltd.** ([TSX:ALA](#)) reported its third-quarter results and hiked its dividend. The news led to the shares popping on Thursday. However, the stock gave back some of the gains on Friday, which indicated there were more sellers than buyers on the day.

If the third-quarter results were positive, why would the shares give back gains?



### Were the third-quarter results positive?

Compared to the same quarter in 2016, Altagas's normalized net income per share was 21.7% higher, and its funds from operations (FFO) per share was 1.2% lower. So, the results seem mixed.

With a company such as Altagas, which has meaningful depreciation and amortization expense, it's actually more telling to look at the FFO instead of the net income metric.

The company said that some of the negative impacts came from some asset sales in March and a weaker U.S. dollar against the Canadian dollar. You may recall that Altagas currently generates about half of its cash flow from the U.S. So, a weaker U.S. dollar will always impact its results negatively. Furthermore, there was lower ethane revenue due to lower volumes and pricing.

One quarter of results don't mean a lot. The more important thing is to track the company's normalized FFO-per-share growth over time. Year to date, Altagas's normalized FFO per share is \$2.56, which is ~2.8% higher than the same period in 2016. Moreover, the first quarter had the strongest FFO.

It's too soon to call a trend of any kind because we have yet to compare the Q4 and full-year results, and the company is growing and transforming. For example, if Altagas successfully acquires **WGL Holdings** by mid-2018, it will generate ~70% of its cash flow from the U.S., and its utility segment will contribute ~50% of its cash flow instead of the current ~35%.

### **Why shares gave back some gains**

The Thursday pop was an opportunity for some investors to offload some shares. Despite the pop, the shares are still ~12% lower than they were a year ago.

If investors hold some Altagas shares that are underwater in a non-registered account, they might decide to sell it at a loss to offset their capital gains. Tax-loss selling can go well into December and continue to pressure the shares.

### **Investor takeaway**

Year to date, Altagas is doing all right financially. The company has also announced a dividend hike of nearly 4.3% for its December dividend, which would imply a payout ratio of ~86% based on its normalized FFO per share so far and a forward yield of ~7.4%. Interested investors might consider buying some shares as tax-loss selling might occur over the next couple of months.

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## Date

2025/08/10

## Date Created

2017/10/25

## Author

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