



## How Risky Is Investing in Altagas Ltd. Stock?

### Description

Investors who'd bought [Altagas Ltd. \(TSX:ALA\)](#) shares this year have lost ~13% of their investment value, as this high-yield dividend payer has struggled to gain traction.

Altagas shares have been under pressure since the company announced the \$8.4 billion acquisition of the U.S.-based **WGL Holdings**. Apart from general weakness in energy markets, investors are also concerned about the money the company plans to borrow to fund this huge acquisition and how this high level of indebtedness might impact its ability to grow dividends.

After completion of the deal, Altagas will also assume debt worth \$2.4 billion from WGL, further adding to its \$3.4 billion debt load.

Another fear keeping dividend investors away is that the company may also face regulatory hurdles in the U.S., where the regional regulator is likely to scrutinize the company vigorously due to its weak funding position.

### What is the latest?

There is no doubt that these concerns are valid, and investors have legitimate reasons to question the company's huge undertaking, especially when Altagas does not have a lot of assets to pledge. The total value of its assets is ~\$10 billion.

But in its latest quarterly report, Altagas has tried to calm nervous investors by outlining its funding plan to close this transaction in 2018.

According to that plan, Altagas will finance the WGL deal with the proceeds from its \$2.6 billion subscription receipts, US\$3 billion from a bridge loan, and the rest from the sale of its assets.

Investors seem to be liking this visibility as far the WGL deal is concerned. Since the company disclosed this plan in its third-quarter earnings report, Altagas shares have reversed their declining trend and made some decent gains.

A strong recovery in oil prices has been another positive development for energy producers, including Altagas, who are in the market to find buyers for their assets.

**Cenovus Energy Inc.**, for example, is divesting its assets successfully in Alberta, fetching better-than-expected prices, getting closer to its target to pay down debt from its earlier deal to buy **ConocoPhillips's** Canadian operations.

### Is Altagas a safe investment?

The latest update on the company's funding arrangement is certainly a positive news. It should address the uncertainty about the WGL deal and should give this beaten-up stock a nice rebound going forward.

Altagas pays a [monthly dividend](#), which is going to increase by 4.3% from December to \$2.19 a share on yearly basis.

If you have the stomach to take on extra risk, then Altagas's 7.42% dividend yield looks very attractive, especially when other investments are not even paying half of this return.

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