



## Why Altagas Ltd. Is Down Over 3%

### Description

**Altagas Ltd.** ([TSX:ALA](#)), one of North America's largest owners and operators of energy infrastructure, announced its fiscal 2017 fourth-quarter and full-year earnings results this morning, and its stock has responded by falling over 3% at the open of the day's trading session. Let's break down the quarterly results and the fundamentals of its stock to determine if this weakness represents a long-term buying opportunity.

### Breaking down the financial results

Here's a quick breakdown of six of the most notable statistics from Altagas's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Revenue	\$745 million	\$661 million	12.7%
Normalized earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$213 million	\$194 million	9.8%
Normalized net income	\$63 million	\$48 million	31.3%
Normalized net income per share (EPS)	\$0.36	\$0.29	24.1%
Normalized funds from operations (FFO)	\$179 million	\$172 million	4.1%
Normalized FFO per share	\$1.03	\$1.04	(1.0%)

And here's a quick breakdown of six notable statistics from Altagas's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
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Revenue	\$2,556 million	\$2,190 million	16.7%
Normalized EBITDA	\$797 million	\$701 million	13.7%
Normalized net income	\$204 million	\$153 million	33.3%
Normalized EPS	\$1.19	\$0.98	21.4%
Normalized FFO	\$615 million	\$554 million	11.0%
Normalized FFO per share	\$3.60	\$3.52	2.3%

## Outlook on the year ahead

In the press release, Altagas also provided its outlook on fiscal 2018; it expects normalized EBITDA to increase by approximately 25-30% and normalized FFO to increase by approximately 15-20%, and these results include the benefits from its acquisition of [WGL Holdings, Inc.](#), which it expects to close in mid-2018.

## Should you buy Altagas today?

The fourth quarter capped off a phenomenal year for Altagas, highlighted by record normalized EBITDA and FFO and double-digit percentage growth in revenue and normalized EPS, so I do not think the drop in its stock is warranted; that being said, I would buy the stock today for two primary reasons.

First, it's undervalued based on its growth. Altagas's stock trades at just 21.5 times fiscal 2017's normalized EPS of \$1.19 and only 7.1 times fiscal 2017's normalized FFO of \$3.60 per share, both of which are inexpensive given its current double-digit percentage growth rates and its expectations to grow its [EPS by 8-10%](#) and its normalized FFO by 15-20% through 2021, due in part to its aforementioned acquisition of WGL Holdings; these multiples are also inexpensive given the low-risk nature of its business model thanks to its highly contracted and regulated asset base.

Second, it's a dividend star. Altagas pays a monthly dividend of \$0.1825 per share, representing \$2.19 per share annually, which gives it a juicy 8.55% yield. Investors must also note that the company's 4.3% dividend hike that took effect in December has it on track for 2018 to mark the eighth straight year in which it has raised its annual dividend payment, and that it has a dividend-growth target of 8-10% annually through 2021, making it both a high-yield and dividend-growth play today.

With all of the information provided above in mind, I think all Foolish investors seeking exposure to the energy sector should strongly consider initiating long-term positions in Altagas today.

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jsolitro

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