



Why Altagas Ltd. Is a Great Buy Despite its Q4 Results

Description

Altagas Ltd. ([TSX:ALA](#)) recently released its fourth-quarter results, and investors were not impressed, which led to a big sell-off of the stock. It's one of the stocks that I own, and despite the disappointing quarter, there are several reasons I'm not rushing to sell.

The quarter was not as bad as the stock movement would have you think

The share price has declined more than 10% since the company released its Q4 results at the beginning of March.

However, a closer look at the results show me that that Altagas really didn't do that badly. Its net income was just \$5 million, and that is a big drop from the \$50 million it banked a year ago, but a big reason for that was the company's \$140 million provision for some its non-core assets — an expense that was not incurred in the previous year.

Without this one-time expense, Altagas's pre-tax income would have been ~\$70 million, which would have been an increase from the \$58 million the company recorded a year ago.

The company's sales were also very strong and, at \$745 million, were up 13% from last year. For the full year, its top line grew 17%, even after factoring in a bigger loss on risk-management contracts than the company incurred in 2016.

Altagas also had strong free cash flow of \$33 million this past quarter, up from \$23 million a year ago, and it's also a big improvement from the previous two quarters. For the full year, free cash flow was \$52 million, while cash from operations was \$545 million, with both amounts being five-year highs.

While income and sales are important, cash flow is what ultimately matters to keep the business afloat, and Altagas is doing a great job of that.

Investors that look simply at the top and bottom lines will miss a lot of the important details pertaining to the company's performance, and Altagas had a lot of positives this quarter that could have easily been missed.

The stock is very undervalued

While the disappointing results don't translate well for price-to-earnings calculations, that doesn't mean that the stock isn't undervalued. Currently, Altagas trades at just 90% of its book value, and it is at a great price today and will have a lot of upside from here.

The share price has reached a new 52-week low, and that might make investors concerned that it is in free fall, but a look at the fundamentals should make it clear that the stock is a good buy.

Bottom line

The markets have been off to a [poor start](#) in 2018 , and even average results have been punished by investors, as concerns about the world markets, trade, and overall global uncertainty have made stocks more sensitive to even the slightest bad news.

However, it's no different than the hype we saw with [marijuana stocks](#). It's dangerous to get aboard the momentum in either direction, as riding the market's waves can take you and your wallet on a dangerous roller coaster.

Altagas remains a solid buy, and a market overreaction isn't going to change that.

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