



The Better Buy: TSX vs. Altagas Ltd.

Description

After hitting highs of well over \$16,000 in January and showing continued strength after a late January/early February sell-off, the [TSX](#) is still basking in the sunlight.

All told, the index is marginally higher than it was a year ago and 22% higher than it was five years ago.

Not bad at all. Actually, that's amazingly good.

But where to from here?

With the index heavily weighted toward financials vs. the energy sector, what does the future hold?

While the financial sector will no doubt benefit from rising interest rates and the energy sector will no doubt benefit from continued strength in the oil prices, I see an opportunity that will outperform this, as many of the financials have seen their stock prices rise to reflect much of the good news coming their way, and the energy sector still has much uncertainty.

Altagas Ltd. ([TSX:ALA](#)) has had an awful year and five-year period of performance, down 21% and 32%, respectively.

But its stock is sitting pretty with an 8.93% dividend yield that is adequately funded with a cash flow payout ratio of just over 70%.

Uncertainty abounds, but we're getting a very strong dividend yield to wait and bear this uncertainty. In my view, this is a fair trade-off.

On top of this, the company is seeing strong operational momentum, as is evidenced by fourth-quarter results that showed normalized cash flow from operations that was 4% higher than the same period last year, with a very healthy payout ratio of well under 60% and good liquidity.

The stock is trading below book value and reflecting a lot of bad news related to this uncertainty. However, when the funding question is settled and the deal closes, investors can look forward to the

WGL acquisition's high-quality assets and market position to bring Altagas growth opportunities as well as significant earnings and cash flow accretion.

And a sharp rally in the stock price.

The company reiterated its confidence in a mid-2018 closing of the WGL acquisition and in the 2018 sale of \$2 billion of its assets in order to help fund the acquisition.

Bottom line

The market has become increasingly nervous, and yes, Altagas certainly has its issues — like the WGL acquisition and the uncertainties with regard to funding and its closing date.

However, with its rock bottom valuation, strong dividend yield and a relatively stable and predictable business, Altagas is looking strong. It's certainly [better than the TSX](#) at this time.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)

PARTNER-FEEDS

1. Msn
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