



Should You Hang On to AltaGas Ltd.?

Description

Most investors who have bought **AltaGas Ltd.** ([TSX:ALA](#)) shares in the last five years and are still holding the stock are under water in their positions. They might be frustrated, scared, or perhaps wondering if it's time to double down.

In a [previous article](#), I'd put AltaGas's recent price decline in perspective by pointing out that many other companies in the energy infrastructure industry or the utility sector have also declined a lot in the last year, including **Keyera**, **Inter Pipeline**, and **Enbridge**.

AltaGas stock has bounced nicely from a recent low with most of these stocks, which supports the idea that the stock moves more or less with the group and suggests that there are factors affecting the whole sector. You'd hear pundits explain that these companies are sensitive to interest rate hikes because of their generally heavy debt loads.



Image source: Getty Images.

AltaGas's recent results

AltaGas just reported its first-quarter results yesterday. The stock's ~0.5% decline is negligible because, on any given day, a 1-3% change in a stock is pretty normal.

Basically, AltaGas continued to do its thing. For example, it now has nearly 75% of supply secured for

the start-up of the Ridley Island Propane Export Terminal, which is expected to be the first propane export facility in the west coast of Canada. The company is also one step closer to completing the pending acquisition of **WGL Holdings**, as it received regulatory approval from Maryland earlier this month.

Compared to the same quarter in 2017, AltaGas's normalized funds from operations per share declined ~5% to \$0.96, and its normalized net income per share increased ~2.6% to \$0.40. If AltaGas acquires WGL, the business will be changed drastically. So, investors shouldn't care too much about these quarterly numbers.

Should you buy, hold, or sell AltaGas?

The fact is, a lot of the forecasts, including AltaGas's guidance to grow its dividend per share by 8-10% per year in 2019-2021, is based on closing the WGL acquisition by mid-2018.

What happens if the acquisition doesn't close then? Will AltaGas at least maintain its monthly dividend this year? So, you can see why the market is in wait-and-see mode, and the stock isn't back to its two-year midpoint trading range of ~\$27 per share yet.

It'd be silly to sell the stock now that it offers a yield of ~8.9% and potential upside of ~17% in the next 12 months, according to the analysts' consensus target from **Thomson Reuters Corp.**, which implies near-term total returns of almost 26%, which is market-beating by any measure.

Whether you should buy or hold the stock depends on how comfortable and [confident](#) you feel about the company and how much of the stock you already own.

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1. Editor's Choice

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