



## Is AltaGas Ltd.'s (TSX:ALA) +8% Yield Enough to Attract You?

### Description

From the looks of things, it would seem **AltaGas Ltd.** ([TSX:ALA](#)) stock had bottomed at below \$23 per share in March.

#### Asset sales lift some uncertainties

The news yesterday that the company entered a definitive agreement to sell 35% of its interest in the Northwest British Columbia Hydro Electric Facilities for \$922 million seems to be pushing the stock higher, as the stock is about 2% higher as I'm writing this.

AltaGas seems to be getting a good price for the sale, which is about 27 times 2017 earnings before interest, taxes, depreciation, and amortization multiple. The sale makes up almost half of the roughly \$2 billion in asset sales that needs to be raised. The transaction is expected to occur before the end of June.



You may recall that I've written about [AltaGas's uncertainties](#) to finance its acquisition of **WGL Holdings**. This sale clears up some of that uncertainty. So, the stock reacted by moving higher.

What David Harris, president and CEO of AltaGas, said should add some reassurance: "The sale of

the minority interest in the Northwest Hydro Facilities is aligned with our asset monetization and funding strategy. Our criteria include appropriate value for the assets, shareholder value creation, and credit metric accretion, with the resulting business being consistent with our long-term vision for AltaGas.”

Mr. Harris anticipates certain non-core asset sales over the next several months. As the sales occur, uncertainties in the funding decrease, and the stock should continue its ascent.

Mr. Harris reiterates in the press release that the WGL merger is attractive “with accretive earnings per share and cash flow per share growth, a business with a strong balance sheet, and a balanced portfolio of high quality energy infrastructure assets.”

### Should you buy AltaGas now?

When a company offers a high yield of, say, north of 6%, it's best to proceed with caution. AltaGas currently offers a yield of 8.3%. That said, if the company can pull off the acquisition of WGL, it should be a big positive for the stock.

The analysts from **Thomson Reuters Corp.** has a 12-month mean target of \$28.50 on the stock, which represents more than 8% upside. Throw in the dividend yield, and investors can get near-term returns of nearly 17%.

### Investor takeaway

Adventurous investors might consider a small position in AltaGas given that there are still uncertainties in funding the WGL acquisition, such as the non-core asset sales that haven't been materialized yet. Investors [hungry for income](#) might also consider AltaGas for its 8.3% yield.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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