



A High-Yielding Dividend Stock That's on Sale

Description

It's not a prudent investing strategy to buy stocks just because they offer a [high dividend yield](#).

A yield close to 10% is often a sign of danger. It shows that investors are seeking a substantial discount to own the stock for various risks that business might be facing.

But that not always the case. In some circumstances, the reward of owning such dividend stock far exceeds risk. If you do your proper due diligence, it might prove to be a great income opportunity as you take an advantage of low prices.

Calgary-based **AltaGas** ([TSX:ALA](#)) is a high-yielding dividend stocks which, I think, is selling at a substantial discount and offering good value to long-term investors. Let's take a deeper look.

WGL overhang

The biggest overhang that's keeping AltaGas share prices depressed for more than a year now is its \$9 billion acquisition of Washington, D.C.-based WGL Holdings.

The deal raised red flags among the investor community when it was announced last year. The biggest concern was that the deal would dilute AltaGas's existing shareholders and that it's a too big commitment for a company whose total assets weren't worth more than \$3 billion that time.

During that past one year, [AltaGas](#) shares mostly underperformed the broader market, as investors speculated that the deal wouldn't go through and all the growth expectations associated with that transaction wouldn't materialize.

But to the market's surprise, AltaGas managed to close the WGL deal this spring. That development, however, failed to produce a meaningful rebound in AltaGas's share price on concerns that the company's increasing indebtedness may impede the future growth and is likely to jeopardize future dividend hikes. AltaGas had to take a US\$2.3 billion bridge loan to close the acquisition.

The company plans to repay the bridge loan by raising funds from its asset sale plan and by offering

hybrid securities and senior debt.

Bottom line

Trading at \$24.66 and with an annual dividend yield of 9%, AltaGas stock looks attractive for high-risk takers who have the stomach to ride through this bumpy ride. Over the long run, I think the WGL acquisition is a great catalyst that should drive future growth.

Through WGL, AltaGas has added some high-quality natural gas assets with cash flow coming from regulated, low-risk assets. AltaGas pays a monthly distribution of \$0.1825 per share, which it plans to grow 8% per year through 2021.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. TSX:ALA (AltaGas Ltd.)

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Author

hanwar

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