



## What Will You Do If AltaGas Ltd. (TSX:ALA) Cuts Its Dividend?

### Description

**AltaGas** ([TSX:ALA](#)) stock has lost nearly half of its value in the last year. The news of a new CEO coming on board did not trigger any meaningful rally in the stock. The big change in asset mix with a weight toward utility assets in the near term and the fact that the stock's yield has been pushed up to 13.8% will likely lead to a dividend cut.

### The market is waiting to see what the new CEO will do

AltaGas has appointed new CEO Randall Crawford, who will also serve as a member of the Board of Directors starting December 10. Until then, David Cornhill and Phillip Knoll will continue as interim co-CEOs.

Mr. Crawford is a seasoned executive who brings more than 30 years of experience in the natural gas industry, which is commensurate with AltaGas's ongoing strategy to reshape itself to focus on opportunities in gas and U.S. utilities.

AltaGas's stock price didn't really react much to the news. I think the market is in a wait-and-see mode. AltaGas needs to show that it has turned a new leaf over time. For example, it needs to show a stronger financial position and the ability to drive growth.



## How much might AltaGas cut its dividend?

In the Q3 earnings call, AltaGas management indicated that in the near term, it favours “projects with strong returns and more immediate cash flow rather than projects that require long-term investment prior to realizing a return” so that it can “focus on strengthening [its] balance sheet and deleveraging.”

Management continued, “...given where the stock is yielding. [It] ha[s] determined... that growing the dividend at this time is not appropriate” and that it needs to assess “what constitutes a sustainable and ultimately growing dividend for the reshaped AltaGas...”

Management stated, “With our business mix changing significantly, including the higher contributions from utilities, an appropriate payout for our new longer term asset mix must be identified. A sustainable payout ratio provides additional funding flexibility and allows for long-term dividend growth in line with earnings and cash flow per share growth.”

In summary, management will be reviewing the payout ratio, and it also seemed to hint that a dividend cut could be coming. For a yield that more closely aligns with that of other utilities, we could be seeing a dividend cut of at least 50% for [AltaGas](#) from its current yield of about 13.8% as of writing.

## Investor takeaway

Just because a company might cut its dividend doesn't mean it's an automatic sell. There have been cases in which a dividend cut leads to, at least, a short-term rally in the affected stock because the market felt the capital will be better off used elsewhere, such as reducing debt or invested in growth projects. This could be the case for [AltaGas](#) as well.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

## Date

2025/08/25

Date Created

2018/11/28

Author

kayng

default watermark

default watermark