



AltaGas Ltd. (TSX:ALA): Is This 5.5% Dividend Yielder a Buy After Solid 2018 Results?

Description

Just the name **AltaGas Ltd** ([TSX:ALA](#)) can dredge up some bad memories and anxieties for those investors who have held on to this stock in the last few years.

A dividend cut, a slashing of its stock price, and overall uncertainty and a lack of visibility is what has characterized this stock, which has been especially painful as it operates in a traditionally stable and low-risk industry.

So investors who got into this stock were probably not expecting this type of action.

AltaGas Ltd.'s year-end 2018 results showed a significant increase in EBITDA to \$1 billion (+26%), a 7% increase in funds from operations, and a further reduction in debt.

In 2019, AltaGas will see even further reductions in debt, to the tune of \$3 billion to be funded through continued asset sales as well as cash flow generated.

So on the day of the earnings release, which showed solid financial results, and saw management reaffirming its 2019 guidance, AltaGas stock rose almost 8%.

A good day for a stock that has been more volatile than [dividend investors](#) like to see.

Uncertainties remain, mostly related to the price that AltaGas will be able to secure for its assets that are up for sale. And when many assets are going up for sale as companies attempt to deleverage, this is not an insignificant risk.

But at the end of the day, AltaGas offers investors a 5.5% dividend yield and a company that has good opportunities ahead, and a lower risk business after the actions taken.

A focus on gas midstream and regulated gas utilities should drive solid cash flow growth, as the company focuses on achieving synergies from WGL acquisition and as WGL's high-quality assets and market position brings AltaGas many growth opportunities and accretion.

The recent approval of LNG Canada's project bodes well for AltaGas stock, both in terms of market sentiment and in terms of actual volumes that will ultimately come through AltaGas Montney facilities.

And AltaGas offers a diversified infrastructure platform of high-quality assets, much of it under long-term contracts.

In closing, we must recognize that while 2018 was a disaster year for AltaGas stock, management has taken steps to turn it around, the most significant being its plan to deleverage and lower the risk inherent in the company and its stock.

While the company hasn't exactly inspired confidence in the last few years, its rating remains investment grade and its business should now be a stable, [defensive](#) business on a long-term basis offering investors a long-term dividend-paying stock.

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Author

karenjennifer

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