



Why This Safe Dividend Stock Is up 46% From its 2018 Lows and Why it's a Top Pick Today

Description

When a company has a misstep or two and the market turns on it, there seems to be no end to the downside that takes place.

But when the negative momentum takes hold and the downside reaches levels that are not justified, it becomes a big opportunity for investors to snatch up some [quality stocks](#) at bargain prices.

This is what happened with **AltaGas** ([TSX:ALA](#)).

Here are the reasons this stock is a top pick today even after its 46% rise from 2018 lows.

Low-risk business

Although we wouldn't know it just by looking at AltaGas's stock price in recent history, the underlying business of AltaGas is a [defensive](#) and stable one — qualities that can provide comfort to investors.

AltaGas is an energy infrastructure company that is supported by its regulated utility assets in North America, a diversified infrastructure platform of high-quality assets, much of it under long-term contracts, and a leading market position.

Getting the books in order

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

AltaGas'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 more reductions in debt to the tune of \$3 billion to be funded through continued asset sales as well as cash flow generated.

Lower rates

It looks like lower rates are here to stay, at least for a little while longer.

Given this, dividend stocks like AltaGas are looking very pretty again. Its attractiveness as a dividend-paying stock is increased when rates are low, and this is what we have seen.

With a dividend yield of 5.45%, a 50% cash flow payout ratio, and continued asset sales and debt reduction, AltaGas can be expected to win investor confidence back as it executes its plan.

LNG opportunities

LNG is coming alive again, with most recent announcement being Chevron's application to increase its Kitimat LNG project to an 18 million-tonne-per-annum (mtpa) project with a 40-year export licence, up from the prior 10-mtpa facility.

Last year, the approval of LNG Canada's project was also a positive.

Both of these developments bode well for AltaGas stock both in terms of market sentiment and of actual volumes that will ultimately come through AltaGas's Montney facilities.

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Date

2025/07/07

Date Created

2019/04/06

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