



Why AltaGas (TSX:ALA) Is the Best Dividend Stock to Buy in 2019

Description

AltaGas ([TSX:ALA](#)) has had a great year so far. Up 32.5% year to date (at the time of writing), this stock has been through the ringer and has come back strong, surprising its critics and restoring confidence in the company, its strategy, and its management.

Before we review why I'm so bullish on this stock, I would like to compare this performance with the performance of the S&P/TSX Composite Index as well as with some more popular, "exciting" stocks out there to illustrate the magnitude of AltaGas stock's outperformance on an absolute basis as well as a risk-adjusted basis.

The TSX Index is up 13% year to date, so AltaGas significantly outperformed the index. But how have the ever-popular cannabis stocks performed in this period? **Aurora Cannabis** is up 41% and **Canopy Growth** is up 42%. While higher than AltaGas stock's price return, AltaGas has a dividend yield of 5% on top of that, and it represents less risk than the high-growth cannabis stocks. So, on a risk-adjusted basis, AltaGas wins the day.

Without further ado, I will now review the top three reasons AltaGas is the best [dividend stock](#) to buy in 2019.

Defensive

AltaGas is an energy infrastructure company with more than \$10 billion of assets in three business segments: the midstream segment, which includes natural gas extraction and processing and storage; the utilities segment, which delivers natural gas to homes and businesses; and the power segment, which has biomass and solar assets. AltaGas's business spans North America and is an essential part of our lives.

On a company-specific level, AltaGas has taken clear steps to de-risk the company by deleveraging the balance sheet through a few different avenues. First, the dividend was reduced last year, and while we do not like to see this, it was a necessary evil in order for the company to gain control over its balance sheet and focus on future growth. AltaGas has also been selling certain assets that are not

part of its core focus, targeting an additional \$1.5-\$2 billion in 2019.

At this point, AltaGas has \$6.5 billion in long-term debt, which is significantly lower than mid-2018 levels, and debt to total capitalization of 52%.

Long-term predictability and growth

AltaGas is focused on delivering stable long-term cash flows as well as growth from its exposure to some of the fastest-growing energy markets in North America, namely the Montney and Marcellus/Utica basins.

The utilities segment, which provides predictable and regulated returns, accounts for 33% of the company's total EBITDA. And as for the rest of the business, we have stability in the fact that approximately 75% of the company's EBITDA is backed by medium- to long-term contracts.

Attractive dividend yield

Last, but not least, we need to speak about the dividend. Yes, it was reduced last year, and yes, this is not a desirable thing to live through if you're a shareholder.

But that is in the past. Today, AltaGas currently provides shareholders with a very attractive dividend yield of 5%, which is backed by solid fundamentals and stability, which I have just highlighted. AltaGas's attractive, stable, and [defensive](#) business makes it the best dividend stock to buy in 2019.

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