



## Why AltaGas (TSX:ALA) Jumped on Monday

### Description

It's been a long time since **AltaGas** ([TSX:ALA](#)) saw some movement that wasn't in the downward direction. The stock hit all-time highs in the \$50 range way back in August of 2014 before slumping way, way, way down to about \$13.50 per share, near its all-time low.

That all-time low was only in January, but after an almost 75% drop, things finally seem to be looking up for this stock. Since February, AltaGas has been on a relatively steady increase upwards, gaining 52% year to date. Then on Monday, the stock jumped 6%. So, what happened?

### Super sale

AltaGas signed an agreement to sell its assets held by subsidiaries WGL Energy Systems to **TerraForm Power** for \$940 million. The transaction is expected to close by the third quarter of this year. The company has been focusing on "near-term priorities," which has basically come down to selling assets to put some much-needed cash in its pockets. The energy company has already announced or completed \$1.3 billion of its \$1.5-\$2 billion assets sales target for this year after the sale of its Stonewall Gas Gathering System.

Clearly, investors were impressed. After a steady incline, the stock saw a mega jump in the day's trading. AltaGas started out the day at \$19.62 per share and finished at \$20.82 at the end of the trading day for a total increase of 6.12%. But the initial buying may have started even earlier. Insiders have been buying up the stock for the last six months at least, with Director Terry McCallister purchasing \$950,000 worth of shares earlier this year. Potential investors should see this as a great sign, as it gives the company incentive to do well beyond just a salary.

### Looking ahead

Could AltaGas be headed back towards the \$50 share mark? If so, it certainly has a long way to go, though it's on the right track. The company has been selling assets to move towards its long-term goal, which Randy Crawford, president and CEO of AltaGas, describes as focusing on "enhancing the value

of our core asset footprint where we see the most attractive opportunities for long-term, stable earnings growth.”

It’s not as if AltaGas is starting from scratch. In fact, the company is supported by [long-term contracts](#), with \$300 million in low-risk growth opportunities coming through over the next five years. As long as the company can continue producing strong results and move towards its goal of (ideally) \$2 billion in asset sales, there’s no reason the stock couldn’t continue its upward trend.

That being said, \$50 is a long way off. Analysts predict the stock could reach around \$25 per share in the next 12 months but not much higher. There are just too many question marks regarding the stock for investors to be heavily involved at this point. Once AltaGas can start answering some of those questions — especially what it plans to do with all that asset money — then investors might be willing to hop back in.

## Foolish takeaway

While it must have been an exciting day for investors who’d bought back in January, I wouldn’t go buying up a bunch of AltaGas quite yet. That being said, I wouldn’t sell yet either. It looks like AltaGas is in the beginning phase of a serious transition away from its ultra-low share price and back towards peak performance. It certainly has a long way to go, but investors are likely to see some [strong gains](#) in the meantime.

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