



## Could AltaGas (TSX:ALA) Stock Rise in 2020?

### Description

**AltaGas Ltd** ([TSX:ALA](#)) has been one of the biggest financial turnaround stories of 2019. After spending four years in a free fall, it began rising this year and is up 39% year-to-date.

The stock's rise comes after several quarters of strong earnings growth, and a general improvement in investor sentiment toward energy stocks. However, after [slashing its dividend by 56%](#), some are wondering whether the company's future prospects are really so rosy.

If this year's stock performance is any indication, then AltaGas may have more room to grow. However, there are other signs that may indicate trouble ahead. Before we ask whether AltaGas will continue rising in 2020, let's look at why it's been doing well this year.

### Why it's been doing well this year

The big reason for AltaGas' 2019 rise is strong earnings growth. In the first quarter, the company posted net income of \$809 million, up from just \$49 million a year before.

That's incredible growth, and the company continued growing in the second quarter, increasing normalized EBITDA by 22% year-over-year.

The company is also strengthening its balance sheet through an [asset sale program](#), which empowers it to pay off debt and dedicate more resources toward its core business operations. It all adds up to a company that's a leaner, meaner, more profitable machine.

### What it would take to continue the gains in 2020

In order for AltaGas to continue rising in 2020, its core businesses would need to keep growing, and there are some indications of that happening. Although the company's asset sales cut off revenue sources, they also let it dedicate more resources to its most profitable operations, which could drive earnings growth.

There are also some signs that the company's utility business will experience growth. In May, the company's utility subsidiary SEMCO gas filed a request with the Michigan Public Service Commission to increase its rates by \$38 million annually. If the rate increase is approved, it will make a significant impact on AltaGas' bottom line results.

## Foolish takeaway

AltaGas is a highly diversified energy and utility company that is well positioned to benefit from current trends.

As a regulated utility, it enjoys a very stable revenue stream—one that may grow if SEMCO's rate increase is approved.

As a natural gas extraction and marketing company, it stands to benefit should the price of LNG rise.

Finally, as a renewable energy company, it could benefit from the growth of solar panels and other alternative energy sources—serving as somewhat of a hedge against potential weakness in petrochemicals.

Over the past five years, AltaGas has had a rough go of it, but it looks like it's starting to turn things around. Growth has been extremely strong this year, and asset divestment is helping the company strengthen its balance sheet.

Nobody knows exactly what the future holds, but AltaGas could possibly have another winning year in 2020 if it plays its cards right.

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