



Why the AltaGas (TSX:ALA) Stock Price Rose 11.4% in December

Description

AltaGas Ltd. ([TSX:ALA](#)) stock closed out 2019 with a bang, soaring 11.4% in December as the company continued to prove itself and as [investors became increasingly bullish on the stock](#).

In fact, last December's performance was more of the same for AltaGas stock. Looking back at the full year of 2019, we can see that it was a stellar year for the company, and as a result, AltaGas stock had a 42.3% return in 2019.

What happened?

The reason for AltaGas stock's December performance is quite simple. Management released 2020 guidance that both impressed investors and served to quiet lingering concerns on the company and the stock.

Increased estimates

AltaGas stock soared 11.4% in December as management released 2020 guidance that was positive on many fronts. EBITDA guidance of \$1.275 to \$1.325 billion and EPS guidance of \$1.20 to \$1.30 were above many analysts' estimates and on the high-end of other analyst estimates. For a company that was reeling from a massive dividend cut in 2018, this means a lot.

Discontinuation of the dividend reinvestment program (DRIP)

Management confirmed that the DRIP will be terminated, thereby eliminating the consistent issuing of shares and stopping the dilution of existing AltaGas shareholders. This is a big step for the company, as it indicates that its 2020 capital plan will be self-funded.

AltaGas' self-funded future

With the ability to self-fund its 2020 capital program, the company has also told the market that there will be no share issuances in the near-term and that the balance sheet is healthy, or at least much healthier than in the company's recent history.

And the credit rating agencies agree: **S&P** recently revised its rating to stable from negative, and Fitch and DBRS reaffirmed their ratings of BBB and BBB (low.), respectively.

The bullish case on AltaGas stock price

As an energy infrastructure company with more than \$10 billion of assets in natural gas extraction and processing, and storage, utilities that deliver natural gas to homes and businesses, and power assets including biomass and solar assets, AltaGas' businesses are an essential part of all of our lives, rendering it relatively immune from the ups and downs of economic cycles.

[Growth comes from the company's exposure to the Montney and Marcellus/Utica basins](#), but even in these growth areas, we have a measure of stability, as is evidenced by the fact that 75% of EBITDA is backed by medium- to long-term contracts.

Foolish final thoughts

For AltaGas, 2019 was the year that management had to work to restore investor confidence. After its 56% dividend cut in 2018, investors were bruised and skeptical. Well, fast forward to just one year later and AltaGas is already proving that its stock is worth a place in investor portfolios. The stock's 2019 performance reflects this fact.

Finally, I would like to remind foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth.

Blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/28

Date Created

2020/01/07

Author

karenjennifer

default watermark

default watermark