



Why the Altagas (ALA) Stock Price Rose 7.7% in January

Description

On the heels of an 11.4% rise in December, **Altagas Ltd** ([TSX:ALA](#)) stock price is seeing continued momentum as the story continues to fall into place, the risks related to the stock ease, and the upside becomes clearer.

Altagas' recent stock price action suggests a re-rating of the stock to more adequately reflect the solid investment thesis it presents to investors. As the company continues to de-risk, pay down debt, and beat expectations, investor confidence will continue to be restored.

Altagas stock price starts off 2020 with a bang

With this, Altagas stock has officially become a dividend stock to go to for [an attractive yield as well as safety of principle and defensive characteristics](#).

Thus, for investors who are trying to position themselves in 2020 with a defensive [dividend stock that can provide them with solid dividend income](#) as well as some upside, Altagas has emerged looking quite good.

Altagas stock has a dividend yield of 4.47%, delivers stable cash flows, and exposure to some real growth in its exposure to the Montney and Marcellus/Utica basins, where even here, 75% of the company's EBITDA is backed by medium to long-term contracts.

Investor confidence in Altagas stock builds

Altagas price stock really took a beating after the company's WGL acquisition, which resulted in Altagas' dividend being placed at risk, and the eventual 50% reduction in this dividend in order to preserve the company's heavily indebted balance sheet.

While there's no question that this pain was deeply felt by shareholders at the time, investors who saw the value of the acquisition and the company's new focus on regulated gas utilities and gas midstream

assets have been very happy that they held onto the stock.

The dividend cut and leverage issues were short-term pain for long-term gain, and every month that passes since this crisis that hit two years ago is further confirmation that Altagas is on the right track.

Altagas stock price continues to rise on increased guidance

As it did in December, I believe Altagas stock price is still reacting to the news that the company will finally be self-funded, and that there are no plans for an equity issue in the near future.

It's also still reacting to the news that Standard and Poors recently upgraded the company's rating to stable (from negative), and debt levels continue to decline. An investment grade rating is so important for Altagas stock; its significance can't be overstated.

Foolish bottom line

Altagas stock price rose again in January as the company continues to work hard at refocusing the business and strengthening its balance sheet.

Going forward, the company's focus will be on delivering stable long-term cash flows while also providing growth through its exposure to some of the fastest-growing energy markets in North America.

In closing, 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

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