What Analysts Are Saying About AltaGas (TSX:ALA)

Description

Energy stocks are in shambles right now. Since 2017, shares have sunk lower and lower, as the oil and gas glut has only widened. It already left energy stocks at prices far below fair value, but with the recent market crash, those prices have been slashed even further. Companies like **AltaGas** (TSX:ALA) have suffered greatly, and things don't look to be getting much better.

The tumble comes from the Organization of Petroleum Exporting Countries's announcement that Russia wouldn't reduce oil production, and Saudi Arabia would increase production. This left Canadian discounted oil and gas falling to levels not seen in decades. But recently, both countries agreed to cut back on production, and even hinted at further cuts in the future. On top of this, Prime Minister Justin Trudeau announced the government would help fund a clean up of "orphaned wells" in Alberta, keeping 5,200 jobs in the province and sector.

Now, AltaGas is miles away from where it was in 2014 near $50 per share. Today, prices are at around $15 per share as of writing. That's a 70% decrease since 2014 and a 33% drop since its highest point this year in February. But there's one thing that this energy company has that the others don't: utilities.

AltaGas stock: the sneaky utility

If you look at pure utility companies, share prices might have dipped, but those prices have come right back up again as of late. That's because utility companies are not cyclical. No matter what, people need to keep the lights on. That means utility companies will continue bringing in strong earnings no matter what happens in the market.

Then there's ALA stock, which, as I mentioned, plummeted recently. That's because investors are equating this energy stock as a pure oil and gas company. In reality, AltaGas is both a midstream and utilities company, with the diversified portfolio and cheap share price investors should be drooling over.

In fact, things could already be on the mend for ALA stock. AltaGas may have bottomed out back in the end of March and could be on the road to recovery. The stock is up a whopping 72% as of writing after hitting rock bottom and still has a long way to go just to reach fair-value price. That would give today's investors a potential upside of 67% as of writing.

Post-crash performance

So, when will things get better for ALA stock? The company has already set itself up to soar in a better market place. AltaGas acquired WGL back in 2018, and since then it has become a major player in the utilities business. This acquisition alone is a huge help during this economic downturn, with analysts believing over half of AltaGas's revenue will come from utilities this year. In fact, AltaGas has kept its 2020 guidance of expected earnings to be between $1.275 and $1.325 billion — a 4% potential increase since last year.

What this means for investors is, the company will continue producing strong earnings, and that means stable dividends. ALA stock currently offers a 6.58% dividend yield. This means if you were to invest just $10,000 today, you would bring in $640.32 per year in dividends alone.

That on top of this company's excellent financial position should have you looking to AltaGas as your first investment opportunity. While a market correction could take a while, you're likely to still receive substantial returns from this diversified company.

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