TFSA Investors: Outperform the TSX With This Cheap Utility Stock

Description

AltaGas ([TSX:ALA](#)) is a leading North American [energy infrastructure company](#) that connects natural gas liquids (NGLs) and natural gas to domestic and global markets. In the company's midstream business, AltaGas is focused on optimizing the [full value chain of energy exports](#) by providing producers with solutions. In the company's utilities business, AltaGas seeks to grow through rate base investment and the use of accelerated rate-recovery programs, while providing effective and cost-efficient service for customers.

AltaGas's utilities business serves approximately 1.7 million customers with a rate base of approximately $3.9 billion through ownership of regulated natural gas distribution utilities. The company delivers clean and affordable natural gas to homes and businesses. This business also includes storage facilities and contracts for interstate natural gas transportation and storage services.

The company's midstream business, which includes a 70% interest in the Ridley Island Propane Export Terminal, allows AltaGas to leverage assets along the energy value chain in Western Canada. This business also includes transmission, storage, and a regulated pipeline.

AltaGas's power business includes 710 megawatts (MW) of operational gross capacity from natural gas-fired, distributed generation, and energy storage assets located in Canada and the United States. This business also includes energy efficiency contracting and a retail power marketing business.

The company has a price-to-earnings ratio of 16.68, price-to-book ratio of 0.87, dividend yield of 5.14%, and market capitalization of $5.55 billion. Debt is very sparingly used at AltaGas as evidenced by a debt-to-equity ratio of just 0.94. The company has excellent performance metrics with an operating margin of 14.05% and a return on equity of 5.44%.

In 2020, AltaGas executed on a plan to refocus the company and monetize the intrinsic value of core assets, to capitalize on the significant investment opportunities ahead. Refocusing the company included integrating assets, streamlining AltaGas's business portfolio through $5 billion of noncore asset sales, simplifying the business model, and enhancing financial strength.

The company expects to target opportunities to develop high-quality natural gas and NGL assets that

complement AltaGas's existing integrated infrastructure footprint. The company plans to execute a $900 million growth capital program, including a targeted 10% increase in the utilities rate base. AltaGas also plans to pursue capital-efficient organic growth through disciplined capital allocation while improving balance sheet strength and flexibility.

AltaGas's global export assets are focused on providing Western Canadian producers global market access and incremental value for Canadian NGLs. Global export assets extend AltaGas's integrated value chain and attract additional volumes to the AltaGas system, supporting future growth of the overall midstream infrastructure platform.

AltaGas's power business is engaged in the generation and sale of capacity, electricity, ancillary services, and related products in Alberta, California, and Colorado. After the sale of the company's distributed generation business, biomass assets, non-core Canadian power assets, and the remaining 55% interest in the Northwest Hydro facilities, AltaGas has 710 MW of installed power capacity from a combination of gas-fired, energy storage, and remaining distributed generation assets.

AltaGas is doing all the right things needed to grow intrinsic value over the long term. This should lead to a much higher stock price.

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