



Why AltaGas Stock Remains a Top Pick Right Now

Description

The energy sector is one that has seen some serious pain over the past year. However, investors in **AltaGas** ([TSX:ALA](#)) stock have also seen some pretty [impressive recoveries](#) of late.

Indeed, AltaGas stock is now (finally) trading near pre-pandemic levels. However, despite where energy prices are today, there still appears to be more work to be done for this stock to fully recover. Hence, there's an intriguing value thesis with this stock today.

Let's dive into why more momentum could be on the horizon for this stock.

AltaGas stock has a tonne of momentum for a reason

Any stock that surges more than 40% over a given year is one I'd want to look at. And AltaGas stock finds itself in this category of recovery plays today.

Currently trading around \$26 per share, AltaGas stock has seen quite the move higher from lows of below \$9 per share in March of last year. Indeed, energy prices and a booming economic outlook for the future play a big role in this recovery.

The company's midstream energy business model is one that's tethered to energy prices. Like other commodities plays, AltaGas does better when energy prices are soaring. And what we're seeing right now with multi-year highs in energy prices is very bullish for the entire sector. For leveraged mid-cap players like AltaGas, more so.

The company's revenues are driven by frac spreads, petrogas synergies, and favourable M&A activity of late. Given the highly sensitive nature of this company's business model to energy prices, AltaGas stock has become a recovery play for many energy investors. And given AltaGas's recent work on improving its balance sheet, more cash flow growth may reasonably be expected from this player over the medium term.

AltaGas has committed to reducing its debt/EBITDA ratio to lower than five times. This ratio was higher

than 10 times in 2018, and nearly six times last year. That's a great thing for long-term investors seeking cash flow growth.

Bottom line

AltaGas's portfolio of low-risk, regulated assets as well as the company's improved balance sheet, really make the case that AltaGas stock is a pre-eminent pick for investors seeking energy exposure today. Indeed, the company's 3.8% dividend yield, which had been under pressure previously, doesn't seem to have that overhang. In fact, many investors may rightly believe that dividend hikes could once again materialize for this stock.

For now, AltaGas stock remains an excellent high-leverage pick in the energy space. As the company deleverages, this stock could morph into a cash-flow machine. At least, that's what long-term investors are hoping.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. energy
2. growth
3. growth stocks
4. investing
5. market
6. Stocks

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Energy Stocks
2. Investing

Tags

1. energy
2. growth
3. growth stocks
4. investing
5. market
6. Stocks

Date

2025/06/30

Date Created

2021/07/01

Author

chrismacdonald

default watermark

default watermark