



## Canadian Utilities Limited: 42 Consecutive Dividend Hikes and Counting

### Description

When it comes to dividend yield, bigger isn't always better. Case in point: **Canadian Utilities Limited** ([TSX: CU](#)).

Today, the yield on the Western Canadian utility giant is a meagre 2.7%. That's hardly enough to whet the appetite of the most discerning income investor. However, those who look over this company because of its skimpy payout could be missing out on some phenomenal dividend growth.

Since 1972, Canadian Utilities' distribution has grown more than 16-fold. If you had bought and held the stock over that time, the yield on your original investment would be over 35% today.

And while you might think Canadian Utilities is a stodgy, mature business, it looks as if the company is just warming up. In January, the firm lifted its quarterly dividend 12.5% to \$0.27 per share — one of the largest increases in its history. Barring some sort of catastrophe, Canadian Utilities is expected to increase its distribution again next year. This will mark the company's 43rd consecutive dividend hike.

Of course, there are no guarantees that such growth will continue. But I expect many more dividend hikes are on the way as the company's sales and earnings continue to climb.

Fueled by Alberta's growing economy, the firm's regulated gas and electric utilities business has nearly doubled its regulated asset base over the past five years. Increasing the rate base — the value of assets on which a utility is allowed to earn a specific return as set by regulators — is a particularly low-risk way of creating earnings growth.

Canadian Utilities' long-term outlook is positive, largely driven by the huge investments needed to power Western Canada's economic boom. Spending on new transmission lines should continue to boost the company's low-risk regulated earnings. The firm's recent acquisition of a major gas distribution network in Australia also provides big expansion opportunities over the long haul.

The best part is that even with such a promising growth outlook, this stock is far from expensive. According to estimates by TD Securities, Canadian Utilities will earn \$2.39 per share in 2015. Based on Friday's closing price of \$39 per share, the stock trades at a 2015 price-to-earnings multiple of 16,

which is a steep discount relative to comparable names in this space.

Now this company is no slam dunk. Changes in interest rates, electricity prices, and commodity costs could all impact the firm's bottom line. But for investors seeking a reasonably priced stock that is poised to generate a growing stream of dividend income, Canadian Utilities is an excellent buy.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:CU (Canadian Utilities Limited)

## **Category**

1. Dividend Stocks
2. Investing

## **Date**

2025/08/27

## **Date Created**

2014/08/25

## **Author**

rbailieul

default watermark

default watermark