



One Reliable Dividend Stock for Income Hungry Investors: Canadian Utilities Ltd.

Description

The oil rout has hit income hungry investors hard, with the majority of players in the energy patch slashing or even ending their once mighty dividends as they struggle to maintain cash flow and protect their balance sheets. This has left many investors wondering where to look next for steadily growing dividends.

One company that offers investors a tasty but reliable dividend is **Canadian Utilities Ltd.** ([TSX:CU](#)).

Now what?

When hunting for dividends, many investors forget about the boring utilities sector, but it is here that you can find some of the most reliable dividends. Canadian Utilities pays a dividend with a yield of 3% and has regularly hiked this dividend since inception in 1972. In fact, it has hiked its dividend every year since for 42 straight years.

As a result, its dividend has an impressive compound annual growth rate (CAGR) of 7%, well in excess of the annual average Canadian inflation for the same period. This is an impressive record for any company; it attests to the resilience of its business and its ability to steadily grow earnings.

You see, Canadian Utilities is engaged in the business of electricity transmission, natural gas transportation, and storage, as well as power generation. Like other utilities and hydrocarbon transportation businesses, it has a wide economic moat that protects its competitive advantage. This is because there are significant barriers to entry associated with these industries, including the need to make substantial capital investments in infrastructure, along with steep regulatory hurdles.

Such a wide multifaceted economic moat allows Canadian Utilities to continue to grow earnings, which shot up by a healthy 19% in 2014 compared with 2013. More impressively, adjusted earnings from its utilities business spiked a massive 21% year over year in 2014.

I also expect to see Canadian Utilities earnings to continue to grow, not only because of this economic moat, but also because it continues to expand its business.

In 2014 the company entered the recently reformed Mexican energy sector, giving it exposure to the under-served and rapidly growing Mexican economy. Even with the oil rout, Mexico's GDP is expected to grow by 3.5% in 2015, almost double that forecast for Canada. During the same year, Canadian Utilities also expanded its electricity transmission business in Australia, as well as its hydrocarbon storage business in Alberta, Canada.

So what?

There is much to like about Canadian Utilities. Its wide economic moat, coupled with the inelastic demand for energy, virtually guarantees steady earnings growth. This will allow it to continue to grow its dividend, and while the yield is not much to get excited about, its sustainability and impressive growth rate certainly is. For all of these reasons, this is one reliable dividend that I believe every income hungry investor should add to their portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

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