



## Are These 3 Utilities the Safest Growing Dividends in Canada?

### Description

Utilities are among the safest companies to invest in because they provide a service that fills a need and not a want. It doesn't come as a surprise that out of the top five Canadian companies that have paid the longest streak of growing dividends, three of them are utilities. These utilities have all paid a growing dividend for more than 20 years.

#### 1. Fortis Inc.

First, we have **Fortis Inc.** ([TSX:FTS](#)). Fortis is Canada's biggest regulated utility with more than 3 million retail natural gas and electricity customers. A small percentage of its assets are in non-regulated hydroelectric generation assets in Canada, Belize, and upstate New York. On top of that, Fortis also invests in hotels and commercial real estate in Canada.

Fortis has raised its dividends for 41 consecutive years, taking the number one spot for paying the longest streak of growing dividends in Canada. At around \$39 per share, it yields close to 3.5%. It pays out a dividend every quarter.

The dividend was just increased 6.3% in the first quarter of 2015. As impressive as Fortis' record sounds, its payout ratio is currently over 92%, which is a concern as it is the highest it has ever been.

#### 2. Canadian Utilities Limited

Second, we have **Canadian Utilities Limited** ([TSX:CU](#)). It is a diversified utility with assets in electric and gas distribution and energy infrastructure. Of its revenue, 75% comes from regulated utilities, while 20% comes from its energy business.

Canadian Utilities has raised its dividends for 32 consecutive years. At around \$40 per share, it yields close to 3%, and it pays a dividend every three months.

In the first quarter of 2015, Canadian Utilities Limited increased its dividend by 10.3%. It now has a payout ratio of 43%. Since this ratio is consistent with its recent payout ratios, I expect it to continue raising its dividend between 7-10%, in line with its earnings growth, and perhaps expanding the payout ratio slightly.

#### 3. Atco Ltd.

Third, we have **Atco Ltd.** ([TSX:ACO.X](#)). It owns about 53% of Canadian Utilities Limited. In addition, Atco has a division focused on Structures and Logistics, providing modular structures to the global resources industry. Further, it operates and maintains facilities for the defence industry.

Atco Ltd has raised its dividends for 21 consecutive years. Currently, it costs roughly \$45 per share, yielding close to 2.2%. It pays a quarterly dividend.

It increased its dividends 15.1% in the first quarter of 2015, resulting in a payout ratio of 24%. This is a lower ratio compared to the other two utilities and may indicate higher dividend growth capabilities.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:ACO.X (ATCO Ltd.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

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