



This Company Has Raised its Dividend for Decades

Description

In volatile markets, it's always reassuring to know that your investments have paid out stable and growing dividends over the past few decades. While it's never a guarantee of future success, a long history of making consistent dividend payments is typically a good indicator of future payouts.

One such company is **Canadian Utilities Limited** ([TSX:CU](#)). Management has approved an increase in its dividends each year since 1972. As recently as January, the company declared a first-quarter dividend of \$0.295 per share. That amount represents a 10% increase over last year and results in an attractive yield of 3.25% yield.

Will Canadian Utilities continue to be a dividend overachiever?

Recent contracts continue earnings growth

Over the past five years the company has managed a low but steady 4.6% annual EPS growth rate. Analysts expect the next five years to look fairly similar. There are a few projects that increase the visibility of predictable earnings growth.

For example, Canadian Utilities was recently awarded a 35-year, \$1.4 billion contract to build, own, and operate the Fort McMurray West Transmission line. In Mexico this past year, they won a 25-year contract to build a 16 km natural gas pipeline, and also announced a collaboration with Pemex for an \$820 million, 638 megawatt natural gas cogeneration power plant.

Financial strength is unquestioned

Canadian Utilities has experience massive growth in recent years, growing from \$9 billion in assets in 2010 to over \$17 billion today. Throughout this growth, the company has maintained its respectable financial strength.

The company's greatest source of growth capital wasn't from issuing debt or shares, but from internal cash flows, keeping the balance sheet clean. Just last year, Standard and Poor's reaffirmed its ratings for the company as "A" with a stable outlook.

Is Alberta an issue?

The company's utilities segment has continued to make significant investments in Alberta infrastructure. Capital expenditures in 2014 were \$2.1 billion, totaling \$6.4 billion over the last three years.

While the investment has translated into significant growth in the utilities' earnings, the collapsing price in oil has sent the region into chaos, with massive layoffs expected from most major oil and gas companies. Predictably, energy use should drop, leading to a reduction in power prices.

However, roughly 30% of all earnings are now unrelated to its utilities segment, with the company showing strong growth in areas such as Mexico and Australia. While this may be a temporary headwind, the company has always planned its projects with a multi-decade time frame.

Shares look cheap

This year, analysts expect earnings to be \$1.96 a share. For 2016, EPS should come in at around \$2.30. This means that shares are only trading at roughly 18 times and 15 times earnings, respectively.

For a company that still has plenty of reliable growth ahead and a dividend history longer than almost anything on the market today, it doesn't seem like you're paying too much for comfort.

CATEGORY

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1. TSX:CU (Canadian Utilities Limited)

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