



1 Incredible Dividend Stock Warren Buffett Would Love to Own

Description

Hydro One Ltd. ([TSX:H](#)) is a utility company with one of the safest dividends on the TSX. The company has a monopoly in Ontario, as it controls over 96% of the province's transmission network. The lack of competition and wide moat will allow the company to pay a growing dividend, even if the stock market crashes like it did during the financial crisis.

Warren Buffett loves his companies to be boring with predictable future earnings. The main reason he doesn't like exciting stocks, such as those in the tech industry, is because things change too fast, and it's nearly impossible to predict where such a company will be many years down the road.

Utilities are boring. The business model has barely changed over the last decade and is unlikely to change in the next. Hydro One has over 99% of its revenues regulated, which means the company will have predictable earnings and free cash flow streams for the long term. Because of this regulation, I believe Hydro One is one of the most predictable stocks trading on the TSX. Long-term investors in the stock can enjoy consistent dividend increases along with capital gains over the next decade.

The management team plans to spend \$1.6 billion over the next five years to improve its existing infrastructure and plans to make acquisitions of smaller transmission companies to expand its transmission network in Ontario. The company already has a moat because it owns 96% of Ontario's transmission lines, but it's looking to widen that moat even more through these strategic acquisitions.

A stock as predictable as Hydro One should command a huge premium over its peers, but the stock is actually trading at a discount right now. Although there is no history of dividend increases to look at, for a company as predictable and safe as Hydro One, I believe it's reasonable to say the company is a dividend-growth superstar in the works. The company has a monopoly and the ability to increase its dividend each year thanks to its growth initiatives.

If you're looking for a renewable energy name that pays a high dividend yield, then look no further than Hydro One. The stock is trading at a huge discount to its intrinsic value right now after the dip it experienced late last year. Although IPOs can be risky to put your money in, I believe Hydro One is the rare exception because of its highly regulated business model.

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