This 4% Yielder Has an Incredible Record of Dividend Growth

Description

Dividend investing is not all about hunting for monster yields. It is about identifying those companies that have an established track record of making sustainable dividend payments coupled with regular dividend hikes. One Canadian company that stands out having an exceptional history of regularly growing dividend payments is diversified utility **Canadian Utilities Limited** (TSX:CU).

Many investors regard utilities as boring, stable stocks that, while having solid defensive credentials, lack the glamour of other, more growth-oriented stocks. While this may be true, Canadian Utilities is no lacklustre investment.

Now what?

That boring utility has hiked its dividend for 45 years straight and now offers a juicy 4% yield. Canadian Utilities has been able to establish such an enviable history of dividend increases because it derives over 90% of its earnings from contracted or regulated sources. This gives those earnings a degree of certainty which, in conjunction with the inelastic demand for electricity, makes its cash flows highly resilient to economic downturns.

You only need to look at its performance during the Global Financial Crisis in 2009, the worst economic calamity the world has experienced since the Great Depression, to see this. Canadian Utilities's net earnings remained relatively unchanged at a time when many companies were experiencing significant margin compression and sharp drops in revenues that caused profits to fall sharply.

It is this which allowed Canadian Utilities to keep hiking its dividend regardless of the crisis at a time when many companies across a range of industries were slashing their dividends or eliminating them altogether.

In fact, between 2010 and 2017 Canadian Utilities dividend has had an impressive compound annual growth rate of 10%, highlighting the solid income growth experienced by loyal investors.

This trend can only continue.

Not only does Canadian Utilities possess a wide economic moat and operate in a heavily regulated industry characterized by steep barriers to entry that reduce competition, but it also operates a diversified portfolio of assets. These assets are located in the stable developed jurisdictions of Canada and Australia.

Ongoing investments in its business, particularly in regulated operations, will continue to act as a tailwind for growth.

Between now and 2019, Canadian Utilities plans to invest $5 billion in commercially secured and capital growth projects. These include hydrocarbon storage in Alberta, a Fort McMurray power project, and a natural gas pipeline in Mexico.

These projects will further diversify Canadian Utilities’s earnings base, mitigating the impact of any future economic downturns, while generating significant earnings and cash flow growth. That can mean only one thing for investors: there are further dividend increases on the way, and Canadian Utilities will be well positioned to continue hiking its dividend every year as it has done since 1972.

So what?

Canadian Utilities is an especially attractive investment at this time. Not only do its defensive attributes make it resistant to an economic downturn, but it is one of the best ways of hedging against a market correction. Furthermore, that juicy, regularly growing dividend coupled with its solid growth prospects means that it will continue to unlock value for investors for some time to come.

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