



## Hydro One Ltd.: Should You Buy?

### Description

Every so often, a great investment comes around that investors skim over, not fully realizing what a great deal the company represents. **Hydro One Ltd.** ([TSX:H](#)) is one such investment.

For those unaware of the company, Hydro One is the electricity transmission and distribution company that serves Ontario almost exclusively.

### Hydro One has one of the biggest moats in the industry

Defensively, Hydro One is in a league of its own. The company casts an extremely wide moat thanks to being a monopoly in virtually everything but name over Ontario's electricity transmission network. A rival can't emerge to counter that level of control over the market when it approaches nearly 100%.

Impressively, Hydro One has plans to make that moat even bigger. The company has made reference to plans to spend up to \$1.6 billion to improve the existing network and pick up any smaller transmission companies that remain in the province. As Hydro One picks up those pieces and improves its massive network, expect greater revenues and synergies to come into effect. At very least, investors can expect moderate growth and future dividend hikes.

If that weren't reason enough to buy into Hydro One, then this may convince you.

The vast majority of the revenue Hydro One earns comes from regulated contracts that, in many cases, span decades. Before yawning at that point and moving on, consider this: a regulated stream of revenue translates into a steady stream of revenue. People can cut back on a lot of things during a slowdown of the economy, but the electricity stays on.

If you're looking for an investment that will produce sustainable income, Hydro One fits the bill perfectly.

### What about the dividend?

Hydro One offers investors a quarterly dividend in the amount of \$0.22 per share. Hydro One recently bumped the dividend up by 4.8% to this level, which will be effective next month. At the current stock

price, the dividend offers investors an attractive 3.78% yield.

In the most recent quarter, Hydro One reported earnings of \$0.28 per share, reflecting a \$0.07 per share decrease over the same quarter last year. Revenues for the quarter hit \$1.658 billion — slightly lower than the figure reported in the same quarter last year. The revenue dip is largely attributable to lower peak demand in Ontario as well as overall milder weather in the quarter.

### **Is Hydro One a good investment?**

Hydro One excels at serving investors that are looking for dividend income. Hydro One not only provides a great yield, but that yield is also incredibly stable thanks to the massive moat that is Ontario's power needs.

The stock has dipped in recent weeks and is relatively flat year to date. Whether this is because shareholders, who are also customers, are expressing their dissatisfaction at their growing electricity bills is uncertain.

All investors need to know is that Hydro One is a great investment that offers a great dividend and stable, reliable revenue.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:H (Hydro One Limited)

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