Bundle Up for Winter With These Utilities Stocks

Description

In October and November, I'd covered why utilities are still a solid option for investors. The Bank of Canada signaled in September that any future rate hikes will be in question, as experts watch how Canada responds to record debt and the possibility of NAFTA being renegotiated or scuttled.

Statistics Canada released its GDP report for September on December 1. Activity for utilities jumped 1.7% with "volatile" September weather helping demand for air conditioning and heating. Experts are forecasting a colder winter in 2018, but forecasters are as of yet uncertain of how dramatic the drop in temperature will be.

Let's take a look at three utilities stocks to keep an eye on, as investors look for insulation in the winter months.

Hydro One

Hydro One Ltd. (TSX:H) stock has declined 3.6% in 2017 as of close on December 5. **Avista Corp.** shareholders recently voted to approve the multi-billion-dollar acquisition that was announced earlier this year. The deal is still awaiting final regulatory approval, which is set to be finalized in the first half of 2018. Hydro One CEO Mayo Schmidt has hinted that this is just the beginning of a broader U.S. acquisition strategy that will be undertaken by the company.

Hydro One released its third-quarter results on November 10. The company posted revenues of $1.5 billion compared to $1.7 billion in Q3 2016 as well as net income of $219 million in comparison to $233 million in the prior year. The stock offers an annual dividend of $0.88 per share, representing a 3.8% dividend yield. Coming off a poor performance in 2017 thus far, the stock is an attractive target, as Hydro One leadership eyes a more aggressive strategy moving forward.

Fortis

Fortis Inc. (TSX:FTS)(NYSE:FTS) stock has increased 13.1% in 2017. In its third-quarter results, Fortis saw earnings jump to $278 million from $127 million in the prior year. Fortis generated increased short interest in October. The stock has declined 1.2% month over month as of close on December 5.

Fortis has expanded its capital expenditure plan from 2018 to 2022 by $1.5 billion up to $14.5 billion. The stock also offers an annual dividend of $1.60 per share with a 3.5% dividend yield. Fortis has delivered over 40 years of dividend growth.

Canadian Utilities

Shares of **Canadian Utilities Limited** (TSX:CU) have climbed 6.7% in 2017. However, the stock has moved down 6.4% since June 5. The company released its third-quarter results on October 26. Adjusted earnings were flat year over year at $96 million. Canadian Utilities has seen its year-to-date net income increase to $440 million from $424 million. Currently, the stock is trading at a P/E ratio ~19, indicating that it may be an attractive addition heading into the holiday season.

The stock also boasts an annual dividend of $1.15 per share, representing a dividend yield of 3.5%. Moreover, the company has delivered 45 consecutive years of dividend growth — the longest of any other Canadian dividend stock.

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2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)
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