



## Fortis Inc. and Hydro One Ltd.: 2 Utility Stocks That Are Still Worth Your Attention

### Description

Utility stocks have been battered along with the broader S&P/TSX Index in 2018 as of close on February 23. Rising bond yields have [depressed investor sentiment](#) in utility, telecom, and real estate stocks, all of which have been seen as the go-to income generators since the financial crisis. However, the Bank of Canada has lowered its neutral rate range from 2.5% to 3.5% in comparison to the 3-4% that it had maintained previously.

It is also important to remember that we are still living in a historically low interest rate environment. Utility stocks have been established as the strongest vehicles for dividend growth on the TSX, and investors [should not overlook these stocks](#), even in this wobbly market.

Today, we will look at two top utilities stocks that are worth a look.

#### Hydro One Ltd. ([TSX:H](#))

Hydro One is a Toronto-based electricity transmission and distribution utility that services the province of Ontario. In 2017, Hydro One made a reasonably big splash with the announcement that it would merge with the U.S. utility **Avista Corp.** — a deal that is still pending final approval from a number of regulators. Hydro One stock has declined 6.3% in 2018 as of close on February 23.

The company released its 2017 fourth-quarter and full-year results on February 13. Hydro One announced that it had generated \$89.5 million in productivity savings over the course of 2017 due to initiatives to improve efficiency. Revenue dropped to \$5.99 billion compared to \$6.55 billion in 2016, and net income fell to \$658 million from \$721 million in the prior year. In the fourth quarter, net income rose to \$170 million over \$128 million in Q4 2016.

Hydro One reported that it had seen \$733 million worth of assets placed in service in Q4, which represented a 4.9% jump from the prior year. Once again, Hydro One declared a quarterly cash dividend of \$0.22 per share, representing a 4.2% dividend yield.

#### Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#))

Fortis is a St. John's-based diversified electric utility holding company. Shares of Fortis have dropped 8.4% in 2018 thus far. The company released its 2017 fourth-quarter and full-year results on February 15.

Fortis reported net earnings of \$963 million, or \$2.32 per common share, compared to \$585 million, or \$1.89 per common share, in 2016. The company was forced to write down \$146 million as a result of deferred income tax and liabilities due to the enactment of the Tax Cuts and Jobs Acts in the U.S. in December 2017. However, the lowered tax rate to 21% is expected to have a positive impact on earnings going forward. CEO Barry Perry said it was "hard to get upset" about the write down when the tax rate was being slashed by such a significant margin.

The company also declared a quarterly dividend of \$0.43 per share, representing a 4% dividend yield. Fortis has posted an annual dividend-growth target of 6% annually into 2022. The company has declared dividend growth for over 45 consecutive years.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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