



## 3 Cheap Utility Stocks to Consider Adding to Your Portfolio Today

### Description

The S&P/TSX Composite Index inched up 11 points on May 1. The marginal gains were somewhat encouraging considering the turbulence that hit major indexes in the United States. [Strength in the energy sector](#) has propelled the TSX, which is heavy in the oil and gas sector.

Investors anxious about volatility may be looking to “sell in May and go away,” as we near the midpoint of 2018. However, today I want to focus on three utility stocks that boast a wide moat, [rock-solid income](#), and premium dividend growth. Rising bond yields have driven down valuations, which should pique investor interest. All three companies are in the midst of bold investment plans that should contribute to improved earnings in the long term.

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

Fortis is a St. John’s-based electricity and gas utility holding company. Shares of Fortis have dropped 6.5% as of close on May 1. The company appointed a new executive vice president and chief financial officer on April 30 and released its first-quarter earnings for 2018.

Fortis reported adjusted net earnings of \$293 million, or \$0.69 per common share, in the first quarter compared to \$287 million, or \$0.71 per share, in the prior year. Factors that weighed on earnings included the higher number of weighted average shares outstanding in Q1 and unfavourable foreign exchange.

Fortis currently boasts a quarterly dividend of \$0.425 per share, representing a 3.8% dividend yield. The company has posted dividend growth for over 40 consecutive years.

#### **ATCO Ltd.** ([TSX:ACO.X](#))

ATCO is a Calgary-based company that generates, transmits, and distributes electricity. Shares of ATCO have dropped 13.6% in 2018 and are down 21% year over year. The company released its first-quarter results for 2018 on April 26.

The company reported adjusted earnings of \$99 million, or \$0.87 per share, in comparison to \$116

million, or \$1.01 per share, in Q1 2017. ATCO's bottom line suffered due to rate re-basing in Alberta. The company also invested \$772 million in capital growth projects in the first quarter of 2018 and is projecting to invest \$4.5 billion from 2018 to 2020.

The stock last offered a quarterly dividend of \$0.376 per share, representing a 3.4% dividend yield. ATCO has posted 24 consecutive years of dividend growth.

#### **Canadian Utilities Ltd. ([TSX:CU](#))**

Canadian Utilities is a Calgary-based company engaged in transmission and distribution of electricity and natural gas. It is also an ATCO company. Shares of Canadian Utilities have dropped 12.1% in 2018 so far and are down 16% year over year. The company also released its first-quarter results on April 26.

Canadian Utilities reported net earnings of \$181 million, or \$0.67 per share, compared to \$213 million, or \$0.79 per share, in the prior year. The company was also negatively impacted by rate re-basing in Alberta. It should benefit from the ambitious \$4.5 billion investment plan laid out by ATCO, which will seek to improve earnings and cash flow.

Canadian Utilities declared a quarterly dividend of \$0.393 per share, representing a 4.4% dividend yield. The company has delivered 46 consecutive years of dividend growth.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

1. NYSE:FTS (Fortis Inc.)
2. TSX:ACO.X (ATCO Ltd.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:FTS (Fortis Inc.)

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