



Hydro One Ltd. (TSX:H) Board Ousted! Is This a Turning Point for Investors?

Description

Hydro One Ltd. (TSX:H) CEO Mayo Schmidt, along with the entire board of directors, got the axe on Tuesday after months of being in the cross-hairs of Ontario premier Doug Ford. The move shouldn't come as a complete surprise to investors, though, as Ford was very clear in vocalizing his mission to put an end to the "price-gouging" practices exhibited by Hydro One before his election victory.

What does this mean for investors?

I think sudden "retirement" of Schmidt and everyone on the board will end up being a move that eventually make Hydro One stock investable again, as uncertainties are gradually eroded in the coming months.

We're going to learn more about restrictions that will be put in place, and although there's potential for more near-term pain, I think investors should keep a close eye on the stock as a favourable new entry point could present itself at some point down the road.

In a [previous piece](#), I'd warned investors about the potential for a 25% cut in hydro prices. For now, it sounds like prices will be slashed by 12%. However, the magnitude of future price increases remains a question mark. For now, growth in Ontario is likely stunted over the foreseeable future, but if you're in a name like Hydro One, you probably value safety and dividend reliability over growth anyway. Hydro One remains has one of the most solid dividends out there, and nothing has changed about that.

While Ontario may seem like a drag, it's important to remember that it'll serve as a stable foundation that will hold up through the harshest of recessions. Moreover, The Avista acquisition will power dividend growth over the long haul, so single-digit annualized dividend growth certainly isn't out of the question, even though Avista will be neutral to earnings through the first full year of operations.

Bottom line

There are no meaningful catalysts to get excited about, but if you're a retiree looking for rock-solid income, you may want to nibble away at Hydro One shares should the Street overreact to the ousting of the entire board of directors.

If shares fall below \$18 in the coming weeks, I'd start buying the name if you're looking to "batten down the hatches." Otherwise, I'd recommend [looking elsewhere](#) since Hydro One is an untimely investment. The 4.6% dividend yield pales in comparison to other income plays that are currently available.

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Date

2025/06/29

Date Created

2018/07/12

Author

joefrenette

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