



The Top 3 of the 5 Dividend-Growth Stocks in Canada

Description

There's no randomness as to why the top three of the five stocks with the longest dividend-growth streaks in Canada are utilities. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), **Canadian Utilities** ([TSX:CU](#)), and **ATCO** ([TSX:ACO.X](#)) have businesses with above-average stability and predictability.

That's why the market had awarded premium price-to-earnings multiples of +18 for Canadian Utilities and +19 for Fortis in the past. Higher interest rates and the anticipation of more increases in the future have dragged down the utilities.

As the stocks have underperformed the Canadian market in the last one- and three-year periods in terms of price appreciation, but outperformed the market in longer periods, it's a good idea to consider them.

Because of the depressed share prices and dividend increases, the dividend yields of the utilities have been pushed up. So, investors seeking [safe, growing income](#) should consider picking up some shares.

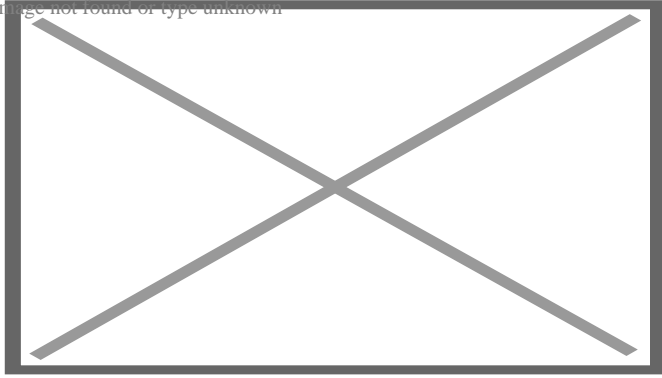
Fortis

Fortis is a top 15 North American utility. Its largely regulated business is diversified across 10 utility operations and is a low-risk way to invest for dividend income.

Notably, it has about 37% of its assets in ITC Holdings, which is the largest independent electricity transmission company in the U.S. ITC is high quality and has a higher growth profile than Fortis's other operations.

Fortis has increased its dividend for 44 consecutive years with a five-year dividend-growth rate of 6.3%. Going forward, shareholders can expect dividend hikes of 5-6% per year. It currently offers a yield of about 4%.

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Canadian Utilities and ATCO

Canadian Utilities is principally controlled by ATCO, which is controlled by Sentgraf, a Southern family holding company. Nancy Southern is the chair and CEO of both companies.

Canadian Utilities has electricity and pipelines and liquids assets. It transmits and distributes natural gas and electricity. It also has some water infrastructure, natural gas storage, and hydrocarbon storage assets.

The company expanded its regulated earnings from 62% in 2012 to 99% in 2017. It has increased its dividend for 46 consecutive years — the longest streak for a publicly traded Canadian company! It has a five-year dividend-growth rate of 10.1%. It currently offers a yield of about 5%.

With planned investments of about \$4.5 billion between 2018 and 2020 in regulated utility and contracted capital assets and organic growth, Canadian Utilities should maintain the first place as Canada's top dividend-growth stock.

ATCO offers integrated solutions in structures and logistics, electricity, pipelines and liquids, and retail energy. The company expanded its regulated earnings from 45% in 2012 to 93% in 2017.

It has increased its dividend for 24 consecutive years with a five-year dividend-growth rate of 14.9%. It currently offers an all-time high dividend yield of about 3.9%.

Investor takeaway

Investors seeking safe income that will grow faster than inflation should consider Fortis, Canadian Utilities, and ATCO. However, there's probably no need to buy them all since they're all regulated utilities. Choose the one that you like the best and leave room in your portfolio for [other dividend stocks](#).

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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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