



Why Hydro One (TSX:H) Belongs in Your Portfolio Right Now

Description

Hydro One ([TSX:H](#)) hasn't had the [most impressive returns](#) in 2018.

The company has so far declined nearly 13% this year and has been the subject of multiple controversies, stemming from executive compensation and hydro rates to becoming a major election issue in the Ontario election held earlier this year.

While many of us are both investors and consumers, it can be difficult to see the difference between the two. As a consumer, hydro rate increases are perhaps one of the most least-pleasant experiences a consumer could receive from the company and a report within issued within the same time frame, as that increase, which states that executive compensation is set to rise sharply in the coming years, only amplifies the disappointment among consumers.

However, an investor may look at those developments from a different perspective. Hydro One has branched out into the lucrative U.S. market, which, given the company's success and overall dominance in Ontario's market, should be rewarding to investors over the long haul. Rate increases fuel that growth, which leads to better results and higher dividends.

Why you should buy Hydro One

As an investor, it's hard not to see the potential that Hydro One poses. In Ontario, Hydro One is a monopoly in nearly every aspect save for by name, and the dwindling number of other players in the market represent more of a rounding error than any real competition. Once the Avista deal is completed and likely synergies are realized, revenue growth should continue to feed growth.

Turning to the new PC government for a moment, the board changes that were made can be interpreted as the government, which is the largest single shareholder, acting in the interest of Ontarians. While some of this is posturing to the electorate, growth projections in Ontario show the population in densely populated areas such as the Greater Toronto Area swelling to 9.7 million people within the next two decades, meaning that Hydro One can expect long-term growth prospects will remain strong.

This is a balancing act that the new board will need to navigate, but, perhaps more importantly, this move silences critics that believed the government would buy back a majority stake in Hydro. To put it another way, we could still see rate increases in the future, as the population continues to increase and capacity and infrastructure are upgraded; they just won't be as drastic.

Furthermore, Hydro's dominant position in the market and incredible dividend, which currently provides an appetizing yield of 4.76%, are not going to be changing anytime soon.

In terms of results, Hydro One is set to announce results for the most recent quarter next month, so until then we can glance back to the previous-quarters results, which had several promising points worthy of mention.

Earnings per share in the second fiscal quarter came in at \$0.34 per share, reflecting an impressive 70% increase over the same period last year, while revenue for the quarter increased by \$106 million over the same quarter last year, coming in at \$1,477 million.

In my opinion, Hydro One remains an [excellent long-term option](#) for investors looking to diversify their portfolios.

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