



TFSA Investors: It's Time to Back Up the Truck on Canadian Utilities Ltd. (TSX:CU)

Description

Enticed by the potential for tax-free gains, many investors use their TFSAs as trading accounts. They're constantly moving in and out of positions, content with taking small wins. The hope is these quick gains turn into real money over time.

I'm not convinced this is a smart strategy. There are thousands of broke ex-short-term traders who were convinced they had a system that worked. Taxes might not apply, but other expenses like trading commissions, can really add up. And besides, who wants to spend that much time worrying about their account?

There's a better solution. A TFSA investor simply has to buy great companies when they're trading at a reasonable price and hold them for a very long time. That's the stress-free way to build a killer TFSA over subsequent decades.

Canadian Utilities ([TSX:CU](#)) is exactly that kind of stock. Here's why you'll want to own it over the long term.

This boring business delivers nice returns

In a market dominated by large tech titans changing the world, it's a little hard to get excited about buying shares in the power company. There are so many sexier options out there.

It's easy to forget just how necessary power is. The other day we had a planned power outage in my neighborhood. I was without power for about 30 minutes. I couldn't use my laptop to browse the internet, since the modem needs power. The house was cooling down because the gas furnace still needs electricity to power the motor. I finally settled in to read my book, using the charged power in my tablet's battery.

Canada's power grid has become so reliable, we take it for granted.

Meanwhile, each month we pay a power provider like Canadian Utilities twice. It owns the power plant as well as power lines and other infrastructure needed to bring the electricity to our homes. We pay to upkeep that each month as part of our bill. You know those distribution charges you hate so much? Canadian Utilities shareholders love them.

It has also started expanding into other markets like Australia and Mexico, adding power plants in those markets. In total, the company owns 19 different power plants.

Then there are the company's other assets. 1.2 million Alberta customers get their natural gas from Canadian Utilities. The natural gas business also includes pipelines and storage facilities. It also provides water to certain industrial sites.

All these assets put together have substantial earnings power. The company is on pace to do \$560 million in adjusted earnings in 2018. It has a market cap of \$8.6 billion. That puts shares at just over 15 times earnings, which is a very reasonable multiple to pay.

An ever-increasing dividend

When it comes to giving shareholders a raise, Canadian Utilities is the king. The company has hiked its dividend annually for the last 46 years, the longest such streak in Canada.

The company has multiple growth projects coming online in the next 12-24 months too, which will help ensure the payout keeps going up. And remember, it easily passes through annual price increases to customers. When was the last time your power bill went down?

Thanks to a recent sell-off, shares are trading close to a 52-week low. That's great news for long-term investors looking to build a position today. They can lock in a 5% yield, which is a much higher dividend than the stock has paid over the past few years.

The bottom line

Investing in the power company is boring. I get it.

But oftentimes in investing, boring is good. Canadian Utilities offers the possibility of steady returns, a nice dividend, and growth potential as it turns its focus from Canada to around the world. It's the perfect stock to stash in your TFSA and forget about for a decade or two.

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