



## Better RRSP Top Up: Fortis (TSX:FTS) or Canadian Utilities (TSX:CU) Stock?

### Description

It's that time of year again. In the first 60 days of the year, Canadians can top up their registered retirement savings plans (RRSPs). When choosing stocks for your RRSP, it's important to ensure that you're investing in safe and reliable companies. Blue chips in the utility sector are some of the safest stocks on the Index and provide investors with a great source of income.

With that in mind, let's take a look at two of Canada's oldest Canadian Dividend Aristocrats: **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Canadian Utilities** ([TSX:CU](#)).

### Top stock for income

As Canadian Dividend Aristocrats, both companies have a [reliable history of growing](#) their dividends. Canadian Utilities has the longest streak in Canada at 48 years. With a 45-year streak, Fortis isn't far behind. You won't find two more reliable dividend growth companies on TSX.

Canadian Utilities boasts an attractive 4.83% yield, topping Fortis' current yield of 3.95%. Canadian Utilities also has a five-year dividend growth rate (DGR) around 10%, a few hundred basis points higher than Fortis historical average. That said, Canadian Utilities raise from a couple of weeks ago was only 7.5%, indicating a potential slowing DGR. This is not surprising given that the company's payout ratio is currently above 100%.

Fortis, on the other hand, is expected to grow dividends by 6% through 2022. Although the dividends are lower than that its opponent, investors get consistency and reliability

Despite a slowing DGR, Canadian Utilities edges out the competition. You just can't argue with Canada's longest dividend growth streak.

### Top stock for growth

While income is important, investors should also look for growth. Over the past five-years, Fortis has crushed Canadian Utilities. Its stock price has returned 27.25%, while Canadian Utilities stock has

seen its value drop by 9.78%. You get similar outperformance over the past one and two-year timeframes.

One of the main reasons for Fortis' [strong performance](#) is that it has been growing at a pretty good pace. Over the past three years, earnings per share and revenue have grown by a compound annual growth rate of 27% and 17.8%. On the other hand, CU has struggled with flat EPS growth and revenue growth of only 2.3% over the same time frame.

It's a blowout: Fortis has been the better performing company.

## Top stock for valuation

Canadian Utilities and Fortis are trading at 23.5 and 20.8 times earnings at writing. This is pretty expensive when compared to their expected growth rates. Throughout 2019, Canadian Utilities is expected to post negative EPS growth, while analysts estimate Fortis to grow by 5.1%. Both companies are trading above the industry P/E, price-to-book and price-to-sales averages.

These companies aren't cheap. That said, their status as a defensive stock in times of volatility justifies current premiums.

Fortis comes out on top, as it's trading at better valuations across the board and at the very least is expected to show some growth over the next couple of years.

## Top stock for your RRSP

Fortis edges out Canadian Utilities stock as the best utility to buy for your RRSP. Although Canadian Utilities is the better income play, Fortis is a better all-around investment. It will provide growth and income. Likewise, even though CU's income looks more attractive, negative growth could mean trouble for the company. Fortis, on the other hand, is consistent in its guidance and investors can expect reliable income and share price appreciation in the mid-single digits.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

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