



## 3 Great Utility Stocks You'll Want to Buy and Hold ... Forever

### Description

Many retirees and other low-risk investors have loaded up on utility stocks, and it's easy to see why.

These stocks generally aren't big growers, but they make up for that weakness by offering plenty of predictable cash flow, steadily increasing dividends, and greater stability in periods of economic weakness. Most offer long-term return potential in the 8-10% range, which is easily good enough to get the average investor wealthy.

Let's take a closer look at three of Canada's best utilities — boring stocks that should continue to deliver solid total returns.

### Canadian Utilities

**Canadian Utilities** ([TSX:CU](#)) quietly became a top-10 holding for me about six months ago after I loaded up on what I viewed were cheap shares. The stock languished in the \$30 range for months before breaking out higher early this year. Shares are currently trading for a hair under \$37 each.

The company has two main divisions. Its main business is power, both generation and distribution. It also owns a plethora of natural gas pipelines as well as certain water pipelines. Together, these businesses generated more than \$4.3 billion in revenue in 2018 and a little over \$1 billion in operating income. That translated into \$2.08 per share in net income, putting shares at a reasonable 17.7 times earnings.

Perhaps the biggest thing that attracted me to Canadian Utilities shares was its dividend. Not only was the payout more than 5% when I bought — it's still 4.6% today — but the company has a record of raising its dividend each year since 1972. That's the longest dividend-growth streak among Canadian publicly traded companies. January saw yet another dividend increase — this one a 7.4% raise to \$0.4233 per share.

## Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is widely regarded as Canada's finest utility, and it's easy to see why. It owns power and natural gas assets in Alberta, British Columbia, Ontario, across the Maritime provinces, and then into the United States and the Caribbean. Fortis has grown into a top-15 North American utility, with approximately 65% of its asset base located in the United States.

You might think such a large utility doesn't have much growth potential, but Fortis would prove you wrong. The company plans to spend \$17.3 billion over the next six years on its growth program, which should grow its utility base by 6-7% annually. The majority of that spending will be in the U.S. with a focus on smaller projects.

This should translate into dividend growth in the 7% range until 2023, when this capital program will end. Fortis's dividend history isn't quite as impressive as Canadian Utilities's, since it can only boast dividend growth since 1973. That's Canada's second-longest dividend-growth streak and is still an impressive feat. Shares yield 3.5% today.

## Algonquin

**Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) would be the best choice for a growth investor on this list. The company still boasts an impressive 768,000 power, natural gas, and water customers, but that pales in comparison to Fortis and its 3.3 million total connections. Algonquin's power generation division also boasts a 1.5 GW generation capacity.

These two separate growth channels should be enough for Algonquin to steadily boost the top line. It has certainly worked over the last decade, with revenues increasing from US\$179 million in 2009 to US\$1.65 billion in 2018. And remember, Algonquin should finalize its acquisition of a New Brunswick natural gas utility in 2019, which will add nicely to its current businesses.

The current dividend is US\$0.5128 per share, which is good enough for a 4.4% yield. Although Algonquin doesn't offer the same kind of dividend-growth history as its more mature peers, it does boast better dividend growth, at least lately. The payout has more than doubled since 2010.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:FTS (Fortis Inc.)

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