2 Undervalued Stocks to Buy and Hold Until Retirement

Description

There are stocks on the **TSX** that are trading below intrinsic values. The prices of **Canadian Utilities Limited** (TSX:CU) **Emera Inc.** (TSX:EMA) have remained constant, yet the stocks carry strong fundamentals and strong growth potentials. More important, both pay high dividends and can be the anchors until retirement.

The longest record of dividend increases

The fundamentals of Canadian Utilities are outstanding, yet the shares appear to be trading at a discount. July begins another period of seasonal strength for the $9.9 billion diversified utility company. For investors chasing good investment prospects for the rest of the year and beyond, this stock is the one!

Canadian Utilities should also merit interest among newbie investors because of the 4.7% dividend yield. Dividend investors love the stock because a consistent dividend-raiser is never a long shot investment. You'll harvest bountiful gains in the long-term.

Let's look at why this ATCO Company has tremendous value. Total assets have reached $22 billion, including 21 generating plants globally, 87,000 kilometres of electric power lines, and 64,500 kilometres of pipelines. The company has huge capacities for hydrocarbon storage, natural gas storage, and water infrastructure.

Canadian Utilities is able to maintain the longest track record of annual dividend increases because of recurring regulated earnings and long-term contracted earnings. The projected growth projects for 2019 to 2021 from these two high-quality earnings base is $3.6 billion. Also, EPS grew annually by 24% in a span of three years.

Who wouldn't be attracted to a company that can sustain such impressive growth?

Significant growth opportunities

Emera Inc. is second to none if you're an investor looking for minimal risk in the near term. However, the undervalued stock is also great for a long-term hold. The operations are in Canada's Atlantic Provinces, the U.S., and the Caribbean.

The operational set-up effectively reduces the risks in case of any major unforeseen events take place in a specific region, and the diversified assets also cushion the impact of any changes or new amendments in regulatory policies within a particular jurisdiction.

Emera's development projects worth $8.4 billion through 2021 indicate promising growth in the near term. In Florida, for example, Emera is spending US$883 million in building 600MW of solar capacity.

Once fully completed in 2021, the Florida endeavor is expected to incrementally increase annual net income by US$50 million. In addition to this growth opportunity, the company has earmarked US$800 million for the conversion of two coal-fired power units to natural gas.

Shareholders are impressed with the 19% compounded EPS growth in the last three years. Despite a weak 2018, Emera's net income climbed 149.6% to $747 million on $6.5 billion revenue. As 99% of earnings are derived from regulated utilities, the company will receive stable revenue and recurring cash flow.

On the passive income aspect, the dividends are safe and sustainable. Judging by the 8.7% compound annual growth rate of dividend, the current 4.37% annual dividend yield will further increase in the long run.

Canadian Utilities and Emera Inc. are not technically blue-chip stocks but by the same token, they're an ideal choices for dividend-earners growing their retirement funds.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/05
Date Created
2019/07/09
Author
cliew