# Why Canadian Utilities (TSX:CU) Should Be Part of Your Retirement Portfolio

### Description

When investors are planning for their retirement, they're on the lookout for safe haven companies: Stocks with low-beta and high dividend yield. They don't want unwelcome surprises. They're seeking steady income coming in that will let them enjoy their current standard of living.



You retire because you don't want to work. You want your stock portfolio to work for you. That's where today's stock-in-focus comes into play.

Shares of utility player **Canadian Utilities** (TSX:CU) are trading at $38.73 per share at writing, up from its 52-week low of $29.12. An ATCO company, this $22 billion diversified energy enterprise with over 5,000 employees has delivered 47 straight years of common share dividend increases.

CU announced earnings of $126 million for the second quarter of 2019 compared to $107 million for 2018. The company has said that this earnings growth was due to the favourable impact of regulatory decisions, ongoing growth in the regulated rate base, bottom-line growth in the hydrocarbon storage business and cost efficiencies.

## Getting out

CU entered into definitive agreements to sell off its non-regulated electricity assets. In May 2019, the company signed a contract to sell its entire Canadian fossil fuel-based electricity generation portfolio for approximately $835 million.

The sale will take place over three transactions – the first one, for CU's 50% ownership interest in the 260 megawatt Cory Cogeneration Station closed in July 2019.

The remaining two transactions, one for 10 partly or fully-owned natural gas-fired and coal-fired electricity generation assets located in Alberta and British Columbia, and the other for Canadian Utilities' 50% ownership in the 580 megawatt Brighton Beach Power joint venture in Ontario, are both expected to close in the second half of 2019.

In June 2019, Canadian Utilities, along with its partner Quanta Services Inc., entered into definitive agreements to sell Alberta PowerLine Limited Partnership (APL) for approximately $300 million, and the assumption of approximately $1.4 billion of APL debt.

As part of this process, CU is offering Indigenous communities an opportunity to own up to 40% of equity interest in APL. CU will remain the operator of APL over its 35-year contract with the Alberta Electric System Operator. The sale is expected to close in the fourth quarter of 2019, subject to regulatory approvals.

## The future

CU invested $215 million in regulated utilities and plans to invest $3.5 billion in regulated utilities in Canada and Australia between 2019 and 2021.

CU is also dipping its toe into the electrification of the transportation industry by launching 19 electric vehicle charging stations in 2019 and 2020. They won't be money-makers, but they will give perspective on CU's future plans.

Well-run utility companies are great bets for retirement because everyone (businesses and people) needs basic utilities during good times and bad. CU operates in the electricity space, and that requirement isn't going away anytime soon.



The company has a strong dividend of 4.42% per year that translates into $1.69 per share. Another factor that tips the scale in CU's favor is the fact that the company has assured cash flows.

Around 86% of its earnings come from regulated sources and 14% come from long-term contracted assets. Downturns or no, the money will continue to roll in.

Analysts estimate earnings growth to clock at in 4.2% per annum over the next five years with a possibility of negative growth of 1.8% this year. Irrespective of this outcome, CU is a good buy for retirement.

If you decide to invest in CU, remember this: The company will probably never beat the market but it will always bounce back quicker after a downturn.

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