3 Dividend Stocks to Hold for Decades

Description

In early 2018, I'd discussed why a tightening rate environment was potentially bad news for utility stocks. A lot has changed late 2019, as central banks have turned dovish in the face of global economic pressures. Bond yields turned sharply downward over the summer, although there has been a marginal rebound late into the season.

Utility stocks are still a great target in this climate. Central banks have hinted that historically low interest rates may be here to stay, which means utilities will remain reliable income vehicles. Today, I want to look at three of the top options listed on the TSX.

Hydro One

Hydro One (TSX:H) stock has climbed 22% in 2019 as of mid-afternoon trading on September 13. In the summer of 2018 Hydro One seemed to be on the verge of disaster after the recently elected Ford Conservatives took aim at its management team. It would soon lose out on its **Avista** acquisition, with regulators citing uncertainty in the public-private Ontario partnership.

In the wake of the regulatory decision, I'd explained why Hydro One still looked like a solid pickup. The company maintained a strong cash position and still boasted a wide economic moat. It has posted solid earnings growth in the year-to-date period in 2019.

The stock currently offers a quarterly dividend of $0.2415 per share, which represents a solid 4% yield.

Emera

Emera (TSX:EMA) is a Nova Scotia-based utility that has seen its stock rise 32% in 2019 so far. In the second quarter, Emera reported net income of $103 million, or $0.43 per share, which was up from $90 million, or $0.38 per share, in Q2 2018.

Adjusted net income in the year-to-date period has increased to $354 million, or $1.49 per share, compared to $313 million, or $1.35 per share, in the prior year.

Cash flow at Emera climbed $8 million year over year to $775 million. The company has strengthened its balance sheet in recent quarters and is pursuing additional asset sales that should give another boost going forward.

Emera stock boasts a quarterly dividend of $0.5875 per share, representing a 4.2% yield. The company has achieved dividend growth for 12 consecutive years.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is in a class of its own, not just among utilities but among dividend stocks on the TSX. The stock has climbed 24% in 2019 at the time of this writing. Fortis is one of the few dividend stocks on the TSX that is on the path to being crowned a dividend king — achieving +50 years of dividend growth — in the next decade.

On September 10, Fortis increased its capital spending plan by $1 billion to $18.3 billion, which will span from 2020 to 2024. Most of these capital investments are at its regulated utility businesses. This past week, the St. John’s-based utility hiked its dividend by 6.1% to $0.4775 per share. The payout represents a 3.4% yield. Fortis has now achieved dividend growth for 46 consecutive years.

Its monster capital-spending plan aims to greatly expand its rate base, which will, in turn, support dividend growth into 2023 and beyond. This is a dividend stock to hold for decades.

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3. TSX:FTS (Fortis Inc.)
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aocallaghan