The Safest Stock I've Ever Found

Description

There's no such thing as a perfectly safe investment, but **Hydro One** (TSX:H) is as good as it gets. As a utility stock, Hydro One is already in a low-risk industry. Power consumption rarely dips, and even when it does, the declines are miniscule.

During the 2008 financial collapse, for example, power demand in Canada only fell by a few percent. The following year, demand surpassed previous highs.

But Hydro One takes it several steps further. Because it relies on hydroelectric facilities, it has almost no exposure to volatile commodity prices. A utility that relies on coal or natural gas has no such advantage. Hydro One also has 99% of its revenue fully-regulated.uiuuiui8

When it comes to safety, this regulation is Hydro One's secret sauce. Even if another recession hits tomorrow, Hydro One would likely reach its financial targets this year.

But that's not all. Management has also positioned the company for long-term growth while delivering an above-average dividend yield. When it comes to safe stocks, Hydro One leads the pack.

Minimize your downside

Whether you're preparing for retirement or the next bear market, Hydro One has you covered. The company labels itself "a unique, low-risk opportunity to participate in the transformation of a premium large-scale regulated electric utility."

It's hard to argue with that. When looking at the underlying assets and revenue model, this certainly looks like a unique, low-risk opportunity.

Hydro One was formerly owned by the province of Ontario. In 2015, the government commenced privatization efforts, beginning with an IPO that floated 15% of the company's shares. In 2016, the government sold an additional 15% stake in a secondary offering.

In 2017, it unloaded another 20%, essentially privatizing half of the company. Due to its unique origins, Hydro One still isn't on the radar of most analysts or investors, which has given it an unfair discount for what otherwise is a terrific stock.

As mentioned, 99% of Hydro One's revenue is fully regulated, giving it a highly predictable cash flow stream that can be forecast up to five years in advance. The company is targeting a 70% to 80% payout ratio, and currently delivers a dividend of roughly 4%.

The company expects its rate base to grow by around 5% annually through 2024. When combining the dividend and growth potential, investors stand a real shot at generating 10% annual returns. That's an outright steal considering the limited risk.

Sleep easy

There's not better stock to own if you want to sleep easy every night. Just look at one of Hydro One's competitors, **Emera Inc** (TSX:EMA). During the 2008 global economic downturn, markets fell by 50% or more. Years of savings were wiped out in a matter of months. Emera stock, meanwhile, *grew* in value.

It's important to note, however, that only 95% of Emera's rate base is regulated. In theory, Hydro One should perform *even better* during an economic collapse.

Hydro One is simply the safest stock I've ever found. Plus, its shares are cheap and deliver a sustainable dividend. Cheap stocks with resilient businesses outperform over the long run, and I'm betting that Hydro One can outperform as well.

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