



## Statistics Canada: New Data Shows Why This TSX Stock Is a Buy

### Description

Statistics Canada has some exciting news. Over the last 12 months, Canada's population has grown by 1.4%, the highest growth rate in nearly 30 years. Perhaps a 1.4% increase in population doesn't sound that impressive, but it is. This rate of growth is twice as fast as the U.S. and nearly five times the rate of several European countries.

According to Statistics Canada, "Canada's sustained population growth is driven mostly (82.2%) by the arrival of a large number of immigrants and non-permanent residents ... Canada admitted 313,580 immigrants in 2018/2019, one of the highest levels in Canadian history."

Every province experienced growth, but some are growing faster than others. Quebec's 1.2% population growth was its largest population increase in three decades. Ontario, which grew by 1.7%, also posted record-breaking results.

### How to profit

Incredibly, there's a way you can [directly benefit](#) from these new statistics. Meet **Hydro One** ([TSX:H](#)).

Hydro One is as Canadian as it comes. As of 2014, it was still completely owned by the government. As with many other public good providers, Hydro One's government-mandated mission was to deliver value (in this case, electricity) to Canadians at an affordable price. It succeeded at this mission for decades.

In 2015, however, 15% of the company was sold to the public. As the population continued to grow, Hydro One needed fresh capital to improve and expand its infrastructure. The government opted to fund this development with private capital through an IPO. In 2016, Hydro One floated an additional 15% of its stock. In 2017, it sold another 20%, bringing public ownership levels up to 50%.

Today, the company has a \$14.6 billion market capitalization and pays an impressive 4% dividend. Its 30,000 kilometres of transmission lines cover 98% of Ontario.

## Expect long-term growth

Due to population growth and recent capital investment, Hydro One expects its rate base to grow by 5% per year over the next five years. That might not seem overly impressive, but upon closer inspection, it's quite the deal. That's because 99% of the company's business is rate-regulated, meaning it has a multi-year government guarantee on how much it can charge its customers.

How many companies have an operating monopoly plus government approved pricing? These attributes make Hydro One one of the most reliable stocks on the TSX. Getting growth is simply a bonus.

Management intends to continue paying 70-80% of its earnings to shareholders each year in the form of a dividend. When the 4% dividend is combined with the potential 5% EPS growth, this stock stands a real chance at generating double-digit annual returns.

Population growth should continue to boost its rate base, while its pricing is already set in stone. So, even if a severe recession hits, Hydro One's business fundamentals should barely be impacted. Growth, stability, and income is a rare combination, but Hydro One looks the part. Don't expect game-changing returns, but if markets turn volatile, you'll be happy to own this stock.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

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