



This Canadian Stock Just Increased its Dividend for the 47th Year Straight

Description

More dividend investors should look to Canada. For more than 40 years, Canada has hosted some of the best income-producing stocks on the planet. TSX-listed companies have proven an ability to deliver high *and* sustainable payouts.

One such company is **Canadian Utilities** ([TSX:CU](#)), which recently boosted its 4.3% dividend, the 47th consecutive annual increase. If you're looking for a dividend stock that can stand the test of time and deliver [serious income](#), this is your stock.

Built for the long term

Since 1972, Canadian Utilities has been building an incredible business. While competitors have waded into unregulated markets, this company doubled down on its regulated approach.

Regulated utilities come with a few benefits, the biggest of which is visibility. Today, 86% of Canadian Utilities's earnings come from regulated sources. That means a government entity has guaranteed how much the company can charge customers.

This is a double-edged sword. The government guarantees a pricing floor but also a pricing ceiling, limiting upside. To compound earnings even faster, some utilities have grown their unregulated segments. Over time, however, the lack of pricing floors has forced many of these operators into bankruptcy. Canadian Utilities has taken a slow but steady approach, opting for stable growth versus explosive upside.

The remaining 14% of its earnings aren't volatile either, as they're tied to long-term contracts. In total, Canadian Utilities has built a business capable of surviving any economic conditions. That's been the major factor behind its 47 years of consecutive dividend increases, the longest stretch in Canadian history.

What to expect

Canadian Utilities isn't done preparing for the future. In 2019, Canadian Utilities sold its entire fossil fuel portfolio. This removes a huge amount of regulatory uncertainty, which could ramp in intensity over the coming decade. This is a classic maneuver for the company, maximizing long-term sustainability over short-term gain.

In the decade to come, expect more of the same. That's a boring take, but this is a boring company. For nearly 50 years, Canadian Utilities has shown it's willing to be boring if that generates attractive multi-decade returns for shareholders. Often, it acts *years* in advance, as evidenced by its recent move to offload its fossil fuels portfolio.

If a recession hits, expect this company to weather the storm better than nearly any other Canadian stock. If markets trade sideways, expect this stock to outperform thanks to its fully funded 4.3% dividend and gradual rate base growth.

As with any other bull market, expect Canadian Utilities to underperform, as its business isn't designed for rapid growth. Anticipate reasonable gains, sometimes reaching the double digits, but this isn't the stock to own if you project a massive market-wide upturn.

Over time, however, Canadian Utilities has completely validated its approach of outperforming during downturns and bear markets. Generating positive returns during a bull market is really just a bonus.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

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