



Why the Hydro One (H) Stock Price Rose 7.3% in January

Description

It is an important exercise to periodically review our stock holdings as well as those stocks that are on our watch lists. This review should happen at least once a year, but also when big stock price movements are noticed. With this, let's take a look at why **Hydro One Limited** ([TSX:H](#)) stock price rose 7.3% in January.

Hydro One stock price rises as the company returns to the basics

Hydro One's electric transmission assets account for the vast majority of Ontario's electric transmission system (approximately 98%), and Hydro One's electric distribution system is the leading distribution system in Ontario.

This translates into stable and predictable cash flows that are underpinned by the fact that 99% of the business is fully rate-regulated.

The company is coming off of a difficult period, where Hydro One was in the news frequently for less than favourable reasons.

A reshuffling of the board and of senior management, government intervention, and the failed merger with U.S. -based electric and natural gas utility company, Avista brought Hydro One stock price down to lows of below \$19.00 in mid-2018. This represented a fall of almost 30% in just two years — very significant given Hydro One's defensive business.

Today, Hydro One is equipped with a new CEO, a new board, and a renewed focus on Ontario. The CEO recently stated, to the delight of shareholders and investors, that “for the next five years we will not actively pursue any mergers or acquisitions outside of Ontario.”

Focusing on the regulated electric transmission and distribution market in Ontario, the company can be expected to continue to deliver increased operational excellence, which can be expected to continue to

show up in earnings and cash flow numbers delivered.

Hydro One stock price rises as results beat expectations

For Hydro One stock, all of the distracting noise and question marks have been destructive. Investors got into the stock for its defensive attributes, and then company plans and political interference muddled up their investment thesis, bringing lots of unwanted risk.

Today, with all of this dying down, we can see that investors are focusing on the solid results that Hydro One is capable of generating. Third-quarter 2019 results came in better than expected back in November 2019, bringing more comfort among investors and shareholders.

Not only did the stock price rise 7.3% in January, but it also rose 23.3% in 2019 as investors began to realize the stock's value as the company indicated that it would focus on its strengths.

Today, investors continue to recognize the attractiveness of Hydro One stock's [defensive qualities](#).

Foolish bottom line

[Momentum has been building](#) for Hydro One stock after a very difficult period. With a 3.34% dividend yield and a very highly regulated business, Hydro One stock gives investors access to highly predictable dividend income.

In closing, I would like to remind foolish investors of our belief in holding great businesses for the long-term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth.

Blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
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