Dividend Investors: The Buying Opportunity of a Lifetime

Description

Canadian Utilities Limited (TSX:CU) is perhaps the greatest dividend stock you can buy right now. Its business model is perfect for dividend investors. The company has the longest track record of annual dividend increases of any Canadian publicly-traded company ever.

But due to the market crash, the dividend yield has hit 5.3%, well above its historical norm. Yet when you dig deeper, this business is more reliable than ever. The secret lies within its rate-regulated approach.

If you're a dividend investor, buying Canadian Utilities stock *right now* is as good as it gets.

Dividend investors rejoice

What makes a great dividend stock? Stability, growth, and yield.

Stability is the biggest concern for dividend investors. After all, what good is a big, growing dividend if it gets eliminated next quarter? When it comes to stability, Canadian Utilities has *zero* competition.

We've already mentioned that it has the longest stretch of uninterrupted dividends in Canadian history, but what exactly lies behind this success?

At its core, the company is a utility provider. Businesses and residences require electricity. Canadian Utilities provides it.

Notably, 95% of its revenue is rate-regulated, meaning that the government guarantees a certain pricing range that the company can charge. Because electricity demand is remarkably resilient, even during a severe recession, Canadian Utilities has almost perfect visibility into future profits.

But what good is a stable payout if it can't grow over time. Yet again, Canadian Utilities delivers for dividend investors. It's managed to grow its business for decades without sacrificing its rate-regulated approach. Over the last 10 years, profits have risen enough to increase the dividend by 7.4% every year.

This is your chance

Canadian Utilities has a stable and growing payout, but it needs to be large enough to entice investors. That's where the recent market crash comes in. After the correction, shares now deliver a dividend yield of 5.3%, the highest level in more than a decade!

This stock simply has it all for dividend investors: stability, growth, and yield. Better yet, recent actions have future-proofed the business for decades to come.

Last year, management sold its entire Canadian fossil fuel generation portfolio for $835 million. The sale included 12 coal-fired and natural gas-powered facilities located in Alberta, British Columbia, Saskatchewan, and Ontario. This reduced the company's carbon footprint by around 90%.

This is exactly the type of move you'd expect out of a company like Canadian Utilities, which has a proven ability to succeed over a period of decades, not just a handful of years.

Last year, around 25% of global electricity production stemmed from renewable sources. By 2050, more than two-thirds of power will come from renewables. That trend will occur thanks for regulatory action and simple economics.

An eventual carbon tax or increased regulatory oversight could raise costs for fossil fuel burners. The recent sale removed this long-term risk.

Additionally, renewable energies like wind and solar fall in cost year after year. It's only a matter of time before they're cost-competitive everywhere in the world. Canadian Utilities knows this and is investing far in advance.

The market crash has created plenty of bargains, but for dividend investors, it doesn't get any better than Canadian Utilities stock.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/25
Date Created
2020/04/08
Author
rvanzo