Why You Should Really Own Canada's Only 'Dividend King' Stock

Description

The investment landscape was murky for most of 2022 because of sky-high inflation. Market volatility heightened further due to the aggressive rate hikes by central banks. Stock pullbacks, corrections, and even market crashes happen in times of uncertainty, but not everyone fears them.

Investors feel safe with dividend kings regardless of the economic environment. The companies in this exclusive group of dividend stocks have increased their dividends for at least *50* years in a row. Besides the low stock volatility, the annual dividend increases help investors cope with inflation and protect purchasing power.

Canada's only Dividend King

Wall Street in the U.S. has almost 50 of best-in-class dividend growth stocks. The **S&P/TSX Composite Index** has a long list of quality dividend stocks, but thus far, it has only one dividend king. If you want to calm your fears of a possible recession in 2023, consider owning **Canadian Utilities** (TSX:CU).

First and foremost, the utility sector, where the Canadian dividend king belongs, is defensive. Furthermore, the $9.9 billion company is actually a multi-utilities firm. Besides electricity and natural gas transmission and distribution, its essential services include energy infrastructure and retail energy.

Foundation for dividend growth

According to management, the highly contracted and regulated earnings base provides the foundation for continued dividend growth. Moreover, its common share dividends grow in line with its sustainable earnings growth and link directly with the growth in regulated and long-term contracted investments.

Canadian Utilities has a capital investment budget of $3.5 billion over three years. It plans to invest in regulated utility and commercially secured energy infrastructure capital growth projects from 2022 to 2024.

Notably, 94% or $3.3 billion will be for regulated utilities. Apart from significant increases in earnings and cash flows in the years ahead, the earnings base growth creates long-term value for shareowners.

Business and stock performance

Canadian Utilities has yet to present its full-year 2022 results, but the revenue and adjusted earnings of the core business units after three quarters were impressive. In the nine months that ended September 30, 2022, the total revenue of Utilities increased 18.3% to $2.94 billion versus the same period in 2021. The adjusted earnings rose 22.4% year over year to $525 million.

For Energy Infrastructure, revenue and adjusted earnings rose 61.5% and 25% year over year to $218 million and $30 million, respectively. During the same stretch, consolidated cash flows from operating activities climbed 26.8% to $1.5 billion compared to the first three quarters of 2021.

At the close of Q3 2022, Canadian Utilities had a total credit line of $3 billion, where it used only 26.8% or $833 million. Regarding the stock's performance, TSX's lone dividend king is never a high flyer. However, it was steady throughout 2022, with a total return of +4.7%. As of this writing, the share price is $37.13, while the dividend yield is an attractive 4.85%.

Buy without delay

If you want capital protection and rock-steady dividend income in 2023 (and beyond), take a position in Canadian Utilities without delay if you don't own it yet. You won't regret buying TSX's one and only dividend king. Also, the longer you hold it, the more wealth you can build.

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