2 Utilities Stocks With Sought-After Stability

Description

Over the last three years, earnings for companies in the utility industry have fallen by 3.1% per year. Meanwhile, these companies' revenues have increased by 14% per year.

This means that, while sales are increasing, either the cost of doing business or the level of investment back into businesses has increased, resulting in lower profits.

However, when compared to other sectors, Canadian utility companies typically produce more consistent and predictable revenues. As a result, the industry is less volatile. Several Canadian utility companies offer enticing dividend yields and have been able to increase dividend payouts for decades. Here are two such stocks to look out for in 2023.

Fortis

Fortis (TSX:FTS) has ascended from humble beginnings as Newfoundland Light & Power Company to become Canada's largest utility company, owning 10 locally operated gas and electric utilities across Canada, the United States, and the Caribbean.

FTS announced that it would pay a dividend of $0.565 per share on Dec. 1, an increase from the previous year's comparable dividend. The payment raises the dividend yield to 4.2%, which aligns with the industry average.

The annual payment was $1.20 a share in 2012, almost half the recent full-year payment of $2.26 per share. This implies that the company's distributions increased at a yearly rate of about 6.5% during that time period. Companies like this can be extremely valuable in the long run if the current growth rate is maintained.

FTS shares currently offer a 4% dividend yield, which has increased for 49 consecutive years. Plans to maintain a dividend compound growth rate of 4% to 6% over the next five years are well sustained by the company's robust $22 billion pipeline of capital expansion projects.

Hydro One

Another stable dividend payer, Hydro One has been paying a consistent and growing dividend since 2016. The board of directors of **Hydro One** (TSX: H) announced a $0.2796 per share quarterly cash dividend for its common shareholders, paid on December 30th to shareholders of record on December 14th.

The utility recently released its third-quarter report. Its revenue of $2 billion fell 6.1% short of analyst expectations. Though earnings per share (EPS) of $0.51 outperformed analyst expectations by 5.2%. Analysts expect revenue to grow 2.2% per year on average over the next 3 years, compared to a 4.6% increase in the Electric Utilities industry in North America.

A low dividend payout ratio and growing asset base can well support future dividend payments. Notably, Hydro One announced a Sustainable Financing Framework, an original for a Canadian utility. The framework enables Hydro One, as well as its subsidiaries, to issue sustainable financing instruments (like green bonds). The net profits will be directed towards investments in eligible green energy and social project categories.

On January 24th, Hydro One began work on a new tunnel that will run 85 feet below ground in downtown Toronto, starting from Esplanade to Bay and Dundas. The tunnel will be about the size of three park benches and house new transmission cables that will replace cables serving Toronto's downtown core since the 1950s.

Bottom line

Considering the current market conditions, it is wise to invest in stocks that have the right fundamentals to maneuver through the turbulences rather than simply offering higher returns.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise

8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. cleona

Category

1. Energy Stocks
2. Investing

Date
2025/08/11
Date Created
2023/02/03
Author
chrismacdonald