



# Canadian Utilities (CDUAF)

Updated November 20<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$30	<b>5 Year Annual Expected Total Return:</b>	5.2%	<b>Market Cap:</b>	\$8.14 B
<b>Fair Value Price:</b>	\$26	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	11/06/2025
<b>% Fair Value:</b>	116%	<b>5 Year Valuation Multiple Estimate:</b>	-2.9%	<b>Dividend Payment Date:</b>	12/01/2025
<b>Dividend Yield:</b>	4.3%	<b>5 Year Price Target</b>	\$32	<b>Years Of Dividend Growth<sup>1</sup>:</b>	53
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Utilities	<b>Rating</b>	Hold

## Overview & Current Events

Canadian Utilities is a \$8.14 billion company with approximately 5,000 employees. ATCO owns 53% of Canadian Utilities. Based in Alberta, Canadian Utilities is a diversified global energy infrastructure corporation delivering solutions in Electricity, Pipelines & Liquid, and Retail Energy. The company prides itself on having Canada's longest consecutive years of dividend increases, with a 53-year streak. Unless otherwise noted, US dollars are used in this research report.

On November 7<sup>th</sup>, 2025, Canadian Utilities posted its Q3 results for the period ending September 30<sup>th</sup>, 2025. Adjusted earnings were \$76.7 million (\$0.28 per share), up \$4.3 million (\$0.01 per share) year-over-year. Growth in adjusted earnings was driven primarily by continued rate base expansion in ATCO Energy Systems and higher approved rates in ATCO Gas Australia under the new AA6 regulatory period. These positive factors were partially offset by the lower 2025 ROE, the completion of ECM funding recorded in the prior year, lower interest income, the timing of certain expenses, and the reduced earnings contribution from ATCO Energy following its transfer to ATCO in 2024.

Additionally, Canadian Utilities continued advancing major infrastructure projects, including the Yellowhead Pipeline Project in Natural Gas Transmission, where the AUC approved the Need Assessment Application during Q3, and the Central East Transfer-Out Project in Electricity Transmission, which progressed into its fall construction program. We still expect earnings per share of \$1.73 for FY2025.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$0.81	\$1.54	\$1.32	\$1.53	\$2.50	\$1.04	\$0.96	\$1.53	\$1.76	\$1.03	<b>\$1.73</b>	<b>\$2.10</b>
<b>DPS</b>	\$0.85	\$0.97	\$1.14	\$1.15	\$1.30	\$1.37	\$1.39	\$1.31	\$1.35	\$1.26	<b>\$1.30</b>	<b>\$1.47</b>
<b>Shares<sup>2</sup></b>	265	267	269	272	273	273	270	269	270	271	<b>273</b>	<b>275</b>

By benefiting from a stable business model, Canadian Utilities can slowly, but progressively, grow its earnings. The company consistently invests in new projects and benefits from the base rate increases, which grow at around 3% to 4% annually. In 2021, management had filed an application with the Alberta Utilities Commission to postpone Canadian Utilities' electricity and natural gas distribution rate increases.

The company received almost all deferred revenues by the end of 2022. Combining the company's growth projects and the possibility of modest margin improvements, we retain our projected growth rate at 4%. Our DPS CAGR estimate remains at 2.5%. The company will likely improve its payout ratio before its new projects start producing enough cash flows to re-accelerate dividend growth.

U.S. investors have enjoyed a lesser growth in their dividends than the Canadian ones over the past decade due to the depreciation of \$CAD to \$USD. Regardless, the stock's impressive 10-year dividend CAGR of 9.6% is more than enough to compensate for the FX fluctuations, progressively growing investors' income.

<sup>1</sup> Years of dividend growth and last dividend increase based in C\$.

<sup>2</sup> Share count in millions

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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
<b>Avg. P/E</b>	19.3	20.9	18.3	18.2	15.0	22.9	16.5	17.9	14.3	23.0	<b>17.3</b>	<b>15.0</b>
<b>Avg. Yld.</b>	3.4%	3.6%	3.5%	4.6%	4.8%	4.8%	4.8%	4.8%	5.4%	5.3%	<b>4.3%</b>	<b>4.7%</b>

Canadian Utilities' shares currently yield an attractive 4.3%, a solid figure for this legendary dividend payer. This above-average yield can be attributed to the above-average interest rates these days, prompting investors to value YieldCos at higher yields. The stock's current P/E ratio of 17.3 is notably below its historical average of about 19. However, again, we believe that the multiple compression is well-justified given that interest rates remain elevated. Investors demand higher tangible returns in the face of higher risk-free returns from T-bills. Our fair multiple remains at 15.0.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

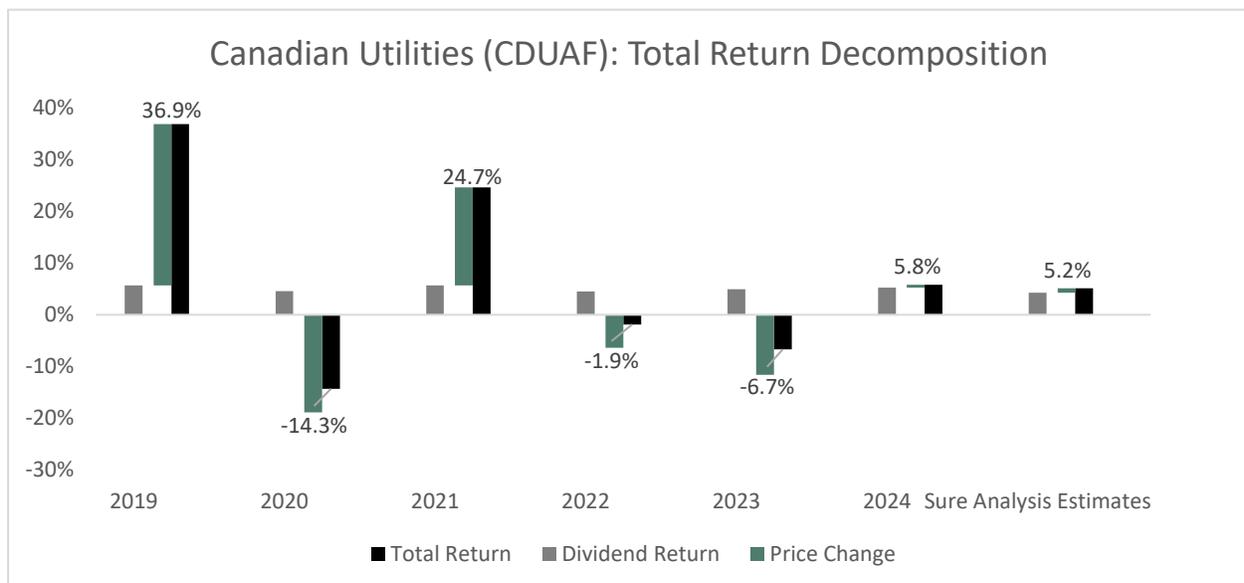
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>Payout</b>	105%	63%	86%	75%	52%	132%	145%	86%	77%	122%	<b>75%</b>	<b>70%</b>

The company's competitive advantage lies in the moat regulated utilities are surrounded by. With no easy entry in the sector, regulated utilities enjoy an oligopolistic market with little competition threat. The company's resiliency has been proven for decade after decade. Despite multiple recessions and uncertain environments over the half a century, the company has withstood every one of them while raising its dividend. While Canadian Utilities' payout ratio were under pressure during 2020 (though dividends were in reality covered from its operating cash flows if we are to exclude depreciation and amortization,) by 2030 we expect it to have returned to more comfortable levels, of around 70% of its net income.

## Final Thoughts & Recommendation

We believe that Canadian Utilities is an excellent hold for income-oriented investors who seek stable and predictable returns. The above-average dividend yield is quite attractive, and we believe that Canadian Utilities offers low volatility and a stable investment case during a time of high uncertainty. However, the valuation is likely to remain muted in the current interest-rates environment. We project annualized returns of 5.2%, driven by the 4.3% dividend yield, modest EPS growth expectations, and a soft valuation headwind. Shares earn a hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	\$2,557	\$2,567	\$3,152	\$3,378	\$2,942	\$2,413	2,804	3,111	2,811	2,730
<b>Gross Profit</b>	\$1,910	\$2,009	\$2,144	\$2,240	\$2,188	\$1,877	1,891	2,101	1,904	1,897
<b>Gross Margin</b>	74.7%	78.3%	68.0%	66.3%	74.4%	77.8%	67.4%	67.5%	67.7%	69.5%
<b>SG&amp;A Exp.</b>	\$363	\$293	\$272	\$330	\$258	\$255	289	287	291	328
<b>D&amp;A Exp.</b>	\$503	\$433	\$461	\$492	\$439	\$455	519	493	537	519
<b>Operating Profit</b>	\$639	\$898	\$917	\$835	\$963	\$702	696	870	767	759
<b>Operating Margin</b>	25.0%	35.0%	29.1%	24.7%	32.7%	29.1%	24.8%	28.0%	27.3%	27.8%
<b>Net Profit</b>	\$276	\$468	\$397	\$489	\$717	\$319	313	486	524	350
<b>Net Margin</b>	10.8%	18.2%	12.6%	14.5%	24.4%	13.2%	11.2%	15.6%	18.6%	12.8%
<b>Free Cash Flow</b>	-\$43	\$248	\$73	-\$205	\$185	\$553	396	593	327	235
<b>Income Tax</b>	\$161	\$178	\$133	\$174	\$40	\$113	110	153	147	97

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	14,388	13,021	13,945	16,572	16,020	15,344	15,920	16,530	16,190	16,570
<b>Cash &amp; Equivalents</b>	\$302	\$350	\$256	\$304	\$400	\$745	\$609	585	514	119
<b>Accounts Receivable</b>	\$418	\$312	\$384	\$469	\$496	\$389	\$426	507	620	481
<b>Inventories</b>	\$73	\$32	\$28	\$32	\$23	\$23	\$22	16	18	41
<b>Goodwill &amp; Int. Ass.</b>	\$341	\$349	\$390	\$448	\$463	\$482	\$514	569	603	792
<b>Total Liabilities</b>	\$9,558	\$8,558	\$9,294	\$11,530	\$11,202	\$10,046	\$10,580	11,180	10,980	11,610
<b>Long-Term Debt</b>	\$6,305	\$5,759	\$6,214	\$7,890	\$7,694	\$6,864	\$7,102	7,464	7,029	7,704
<b>Shareholder's Equity</b>	\$3,870	\$3,259	\$3,401	\$3,714	\$3,592	\$4,020	\$4,029	3,972	3,911	3,719
<b>LTD/E Ratio</b>	1.31	1.33	1.38	1.61	1.64	1.33	1.37	1.43	1.39	1.60

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	4.5%	2.0%	3.5%	2.6%	3.0%	4.6%	2.0%	1.9%	3.0%	2.1%
<b>Return on Equity</b>	16.3%	7.7%	14.1%	11.1%	13.4%	18.8%	7.9%	7.8%	12.3%	6.8%
<b>ROIC</b>	5.8%	2.6%	4.4%	3.3%	3.8%	5.8%	2.6%	2.5%	3.9%	2.7%
<b>Shares Out.</b>	262.8	265.3	267.8	270.1	272.1	273.2	273	270	270	271
<b>Revenue/Share</b>	\$12.41	\$9.64	\$9.59	\$11.67	\$12.41	\$10.77	\$8.83	10.37	11.51	10.06
<b>FCF/Share</b>	-\$2.27	-\$0.16	\$0.93	\$0.27	-\$0.75	\$0.68	\$2.02	1.47	2.19	0.87

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

## Disclaimer

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