Canadian Utilities (CDUAF)

Updated May 8th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$36	**5 Year Annual Expected Total Return:**	2.8%	**Market Cap:**	$9.56 B
Fair Value Price:	$28	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	05/07/2026
% Fair Value:	129%	**5 Year Valuation Multiple Estimate:**	-4.9%	**Dividend Payment Date:**	06/01/2026
Dividend Yield:	3.8%	**5 Year Price Target**	$34	**Years Of Dividend Growth[1]:**	54
Dividend Risk Score:	B	**Sector:**	Utilities	**Rating**	Hold

Overview & Current Events

Canadian Utilities is a $9.56 billion company with approximately 9,100 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 54-year streak. Unless otherwise noted, US dollars are used in this research report.

On May 6th, 2026, Canadian Utilities released its Q1 results for the quarter ended March 31st, 2026. Adjusted earnings were $176 million ($0.65 per share), up $7 million ($0.03 per share) year-over-year. Growth in adjusted earnings was driven primarily by higher adjusted earnings in ATCO Energy Systems, reflecting rate base growth and lower income tax expense following the March 2026 enactment of Bill C-15, and by higher earnings in ATCO Australia from inflation indexing on rate base and higher rates in ATCO Gas Australia. These positive factors were partially offset by a higher Financing & Other adjusted loss, mainly due to increased interest expense related to the 2025 debt issuance used to pre-fund Yellowhead investment and higher share-based compensation expense. IFRS earnings were US$163 million ($0.55 per share), down $9 million ($0.04 per share) year-over-year, due to a negative rate-regulated activities adjustment.

Also, Canadian Utilities continued advancing major infrastructure projects, including the Yellowhead Pipeline Project in Natural Gas Transmission, where the about $2.1 billion, 100% contracted project remains on track for construction to commence in 2026, subject to AUC and corporate approvals, with an AUC hearing scheduled for May 2026 and a decision expected by Q3. The Central East Transfer-Out Project in Electricity Transmission completed line construction ahead of schedule during Q1 2026 and remains on track for energization in June 2026, with an approximate $186 million project spend. Canadian Utilities also invested $257 million of capital expenditures in the quarter, 94% of which was directed to regulated utilities. We still expect EPS adjusted EPS of $1.85 for FY2026. All past figures are in GAAP/IFRS.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.54	$1.32	$1.53	$2.50	$1.04	$0.96	$1.53	$1.76	$1.03	$0.11	***$1.85***	***$2.25***
DPS	$0.97	$1.14	$1.15	$1.30	$1.37	$1.39	$1.31	$1.35	$1.26	$1.33	***$1.35***	***$1.53***
Shares[2]	267.0	269.0	272.0	273.0	273.0	269.9	269.1	270.0	271.4	271.8	***272.3***	***275.0***

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.

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[1] Years of dividend growth and last dividend increase based in C$.

[2] Share count in millions

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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. The stock's 10-year dividend CAGR is just 3.6%.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.9	18.3	18.2	15.0	22.9	16.5	17.9	14.3	23.0	---	***19.3***	***15.0***
Avg. Yld.	3.6%	3.5%	4.6%	4.8%	4.8%	4.8%	4.8%	5.4%	5.3%	4.9%	***3.8%***	***4.5%***

Canadian Utilities' shares currently yield is at a below-average 3.8%. We believe a higher dividend yield would make us more interested in the stock given is moderate growth expectation. Still, today investors are willing to pay a premium for this quality business. The stock's current P/E ratio of 19.3 is in line to its historical average. However, again, we believe that the multiple compression is well-justified given that interest rates remain elevated. Investors should 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

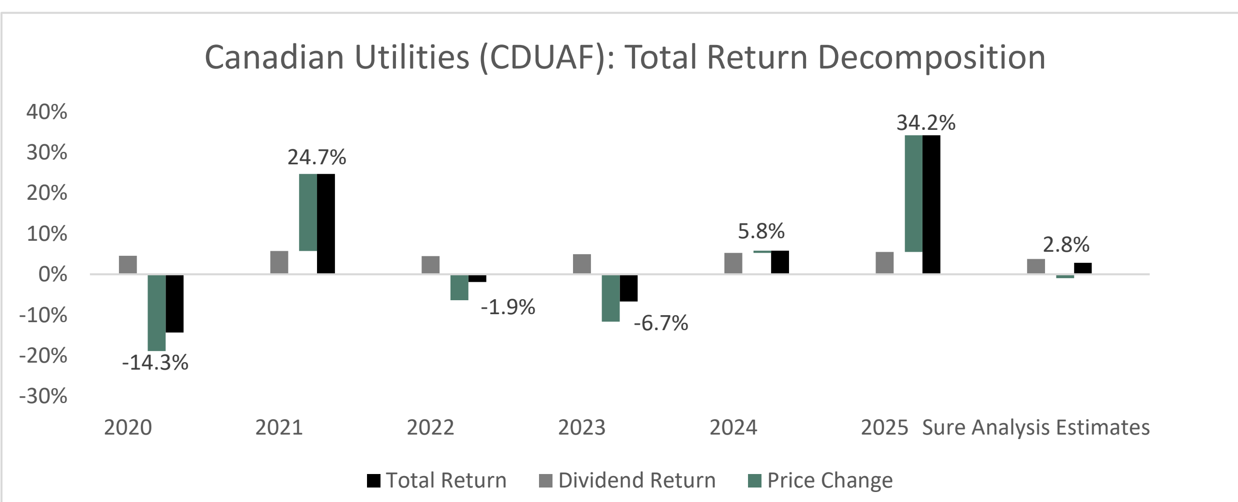
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	63%	86%	75%	52%	132%	145%	86%	77%	122%	1209%	***73%***	***68%***

The company's competitive advantage lies in the moat regulated utilizes 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 2031 we expect it to have returned to more comfortable levels, of around 68% 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, we believe the stock is overvalued today. We project annualized returns of just 2.8%, driven by the 3.8% dividend yield, our modest EPS growth expectations, and a valuation headwind. Shares earn a hold rating due to its rather strong dividend score.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$2,567	$3,152	$3,378	$2,942	$2,413	2,804	3,111	2,811	2,730	2,641
Gross Profit	$2,009	$2,144	$2,240	$2,188	$1,877	1,891	2,101	1,904	1,897	654
Gross Margin	78.3%	68.0%	66.3%	74.4%	77.8%	67.4%	67.5%	67.7%	69.5%	24.8%
SG&A Exp.	$293	$272	$330	$258	$255	289	287	291	328	190
D&A Exp.	$433	$461	$492	$439	$455	519	493	537	519	925
Operating Profit	$898	$917	$835	$963	$702	696	870	767	759	409
Operating Margin	35.0%	29.1%	24.7%	32.7%	29.1%	24.8%	28.0%	27.3%	27.8%	15.5%
Net Profit	$468	$397	$489	$717	$319	313	486	524	350	93
Net Margin	18.2%	12.6%	14.5%	24.4%	13.2%	11.2%	15.6%	18.6%	12.8%	3.5%
Free Cash Flow	$248	$73	-$205	$185	$553	396	593	327	235	(18)
Income Tax	$178	$133	$174	$40	$113	110	153	147	97	52

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	13,021	13,945	16,572	16,020	15,344	15,920	16,530	16,190	16,570	17,900
Cash & Equivalents	$350	$256	$304	$400	$745	$609	585	514	119	672
Accounts Receivable	$312	$384	$469	$496	$389	$426	507	620	481	365
Inventories	$32	$28	$32	$23	$23	$22	16	18	41	32
Goodwill & Int. Ass.	$349	$390	$448	$463	$482	$514	569	603	792	754
Total Liabilities	$8,558	$9,294	$11,530	$11,202	$10,046	$10,580	11,180	10,980	11,610	13,090
Long-Term Debt	$5,759	$6,214	$7,890	$7,694	$6,864	$7,102	7,464	7,029	7,704	9,018
Shareholder's Equity	$3,259	$3,401	$3,714	$3,592	$4,020	$4,029	3,972	3,911	3,719	3,546
LTD/E Ratio	1.33	1.38	1.61	1.64	1.33	1.37	1.43	1.39	1.60	1.94

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	2.0%	3.5%	2.6%	3.0%	4.6%	2.0%	1.9%	3.0%	2.1%	0.5%
Return on Equity	7.7%	14.1%	11.1%	13.4%	18.8%	7.9%	7.8%	12.3%	6.8%	1.9%
ROIC	2.6%	4.4%	3.3%	3.8%	5.8%	2.6%	2.5%	3.9%	2.7%	0.7%
Shares Out.	265.3	267.8	270.1	272.1	273.2	273	270	270	271	272
Revenue/Share	$9.64	$9.59	$11.67	$12.41	$10.77	$8.83	10.37	11.51	10.06	9.71
FCF/Share	-$0.16	$0.93	$0.27	-$0.75	$0.68	$2.02	1.47	2.19	0.87	(0.07)

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