

2 Low Beta Utility Dividend Stocks Beating The Market

Looking for low beta dividend stocks, that don't march to the beat of the market? It's a common theme these days, with P/E's of traditional value stocks and defensive stocks getting a bit stretched. Thanks to their dividend yields, and defensive attributes, normally stodgy Utilities stocks have led the pack in 2016, by a wide margin:

INDUSTRY SECTOR	YTD % CHANGE	THIS MONTH'S CHANGE	THIS WEEKS CHANGE %
Utilities	21.90%	0.55%	0.42%
Telecoms (US)	19.17%	3.03%	1.39%
Energy	13.28%	0.12%	0.90%
Industrials	9.96%	4.16%	1.89%
Basic Materials	12.07%	5.01%	3.71%
Consumer Staples	9.92%	0.63%	-0.41%
Tech	7.00%	5.70%	3.85%
Consumer Discretionary	4.43%	4.57%	1.24%
Health Care	4.11%	4.56%	1.93%
Financials	-4.63%	3.72%	3.32%

With this market-leading success in mind, we wondered if there were any low-beta utility dividend stocks left, which were still reasonably priced. We came up with two stocks, Public Service Enterprise Group, (PEG), and South Jersey Industries, (SJI), both of which have low betas, and a dividend yield over 3%.

Profiles: South Jersey Industries is an energy services holding company based in Folsom, NJ, that operates through two primary subsidiaries - South Jersey Gas delivers natural gas to approximately 375,000 customers in southern New Jersey. SJI's non-regulated businesses, under South Jersey Energy Solutions, develops, owns and operates on-site energy production facilities; acquiring and marketing natural gas and electricity for retail customers; providing wholesale commodity marketing and fuel management services; and offering HVAC and other energy-efficiency related services. South Jersey Gas was founded in 1948.

Public Service Enterprise Group, through its subsidiaries, operates as an energy company primarily in the Northeastern and Mid- Atlantic United States. The company operates nuclear, coal, gas, oil-fired, and renewable generation facilities with a generation capacity of approximately 11,678 megawatts. It sells electricity, natural gas, emissions credits, and a series of energy-related products. The company also transmits electricity; and distributes electricity and gas to residential, commercial, and industrial customers, as well as invests in solar generation projects, and implements energy efficiency and demand response programs. In addition, it offers appliance services and repairs to customers.

Dividends: Our High Dividend Stocks By Sectors Tables page tracks the current price and yield for both PEG and SJI, in the Utilities section.

Don't get fooled by the dividend history for SJI - they did cut their dividend by half, but this was due to a 2-for-1 stock split. SJI has a lower dividend yield, but a much better dividend growth rate than PEG, at 11.14%.

Both companies cover their dividends with ample EPS, with PEG being a tad more conservative, at 51%, vs. 61% for SJI:

Ticker	7/26/16 Price	Dividend Yield	Payout Ratio	Most Recent Dividend	Next Ex-Dividend Date (approx.)	Next Pay Date (approx.)	5 Year Dividend Growth
PEG	\$45.78	3.54%	51.00%	\$0.41	9/7/16	9/30/16	2.77%
SJI	\$31.60	3.34%	60.90%	\$0.26375	9/8/16	10/2/16	11.14%

Options: There are options listed for PEG and SJI, but they're not that attractive at present. However, you can see the details for more than 30 other income-producing trades in both our Covered Calls Table and our Cash Secured Puts Table.

Valuations: PEG is a much bigger firm, at over 10x SJI's market cap. It also looks much cheaper than SJI, on a P/E basis, in addition to having lower Price/Book, EV/EBITDA, and Price/Sales valuations.

Ticker	Company	Sector	MKT. CAP	P/E	P/Sales	P/Book	EV/EBITDA
PEG	Public Service Enterprise Group Inc.	Utilities	\$23.13B	14.84	2.34	1.73	8.19
SJI	South Jersey Industries, Inc.	Utilities	\$2.25B	18.55	2.47	2.06	12.67

Performance & Technical: SJI's higher valuations stem from the huge outperformance it has had in 2016 - it's up over 37% year-to-date.

Ticker	Performance (Month)	Performance (Quarter)	Performance (Year)	Performance (YTD)
PEG	4.70%	3.46%	21.16%	22.09%
SJI	4.20%	14.82%	38.80%	37.54%
S&P 500	6.22%	3.46%	4.13%	5.88%

That outperformance is the trade-off vs. beta - PEG has a much lower beta, of only .20, vs. .62 for SJI. But, hey, we'll take a 22% year-to-date gain, no problem. PEG's trading volume of 3-plus million shares/day is about 5x SJI's volume, but both stocks are liquid.

Ticker	Beta	Price	Consensus Target Price	52-Week High	52-Week Low	Earnings Date	Average Volume (thousands)
PEG	0.20	\$45.78	\$46.38	\$47.41	\$36.80	7/29/16	3050.38
SJI	0.62	\$31.60	\$31.75	\$31.92	\$21.24	8/19/16	618.4

This 2016 chart shows how SJI took off in mid-May, after increasing the size of a secondary offering of its common stock by 500,000 shares, bringing the total offering to 7 million shares. SJI also received an analyst upgrade to Buy from Guggenheim. (Each column represents a month in this chart.)



Financials: PEG has slightly better ROA, ROE, and ROI stats than SJI, in addition to having a higher Operating Margin, and a lower debt load.

Ticker	Return on Assets	Return on Equity	Return on Investment	Current Ratio	Total Debt/Equity	Operating Margin
PEG	4.20%	12.00%	8.30%	1.10	0.77	27.40%
SJI	3.50%	11.80%	6.20%	0.60	1.29	21.40%

Disclosure: Author owned no shares of PEG or SJI, at the time of this writing.

Disclaimer: This article is intended for informational purposes only, and is not intended as investment advice. Please practice due diligence before investing any of the stocks listed in this article.

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