This Boring Company Has Delivered 41 Straight Dividend Hikes

Description

Picture this…

Imagine if you owned a cash machine. Day in and day out this little gizmo lines your bank account with a steady stream of cheques. And the money continues to roll in while you sleep, watch television, or travel the world.

As fantastic as it sounds, in a very real sense this is exactly what it's like to own dividend-paying stocks. And given enough time, some of these companies can generate yields of 10%… 20%… even 50% on your original investment.

The trick is to identify wonderful companies with a sustainable competitive advantage and then hold on for the long haul. And no company demonstrates the success of this strategy better than Canada's largest electric utility, **Fortis** (TSX: FTS).

Earn a 16% yield from this boring utility company

Fortis is an example of what decades of small distribution hikes can do for a stock's yield.

For over a century this company has dominated its industry and has increased its dividend to shareholders every year since 1972. Since the start of the century, Fortis has increased its dividend at a 7.9% clip. If you had bought and held the stock over that time, your yield on cost would be 16.1% today.

To see what I'm talking about, take a look at the chart below. This example assumes you purchased Fortis at around $7.70 per share near the beginning of 2000.

Year	Dividend per Share	Yield on Cost

2013	$1.24	16.10%
2012	$1.20	15.58%
2011	$1.16	15.06%
2010	$1.12	14.55%
2009	$1.04	13.51%
2008	$1.00	12.99%
2007	$0.84	10.91%
2006	$0.76	9.87%
2005	$0.64	8.31%
2004	$0.54	7.01%
2003	$0.52	6.75%
2002	$0.51	6.65%
2001	$0.50	6.44%
2000	$0.46	6.03%

Source: Company filings

Assuming Fortis continues to increase its dividend by 7% pace for another decade, by 2023 the yield on our original investment will have grown to 32%.

How safe is your portfolio from a dividend cut?

Fortis is one of those forever companies with an unbreachable competitive moat. It's vital to your day-to-day life as it supplies the electricity needed to power our modern lives. Nearly 90% of the company's assets are regulated utilities serving over 2 million customers across Canada, the United States, and the Caribbean. In times of recession, the utility bill is one of the last to go unpaid. This makes the company virtually depression-proof.

Fortis' business is also a natural monopoly. While competitors may see the company earning big profits, it's simply uneconomic for two utilities to supply power to the same region. This means Fortis can continue to earn excess returns for shareholders year after year without the worry of a competitor driving down margins.

Given all this, is it any wonder as to how Fortis has been able to increase it dividend payout for over four decades? Think of everything that has happened since that time. The world has been through oil embargoes, asset bubbles, and financial crises.

Yet for Fortis, it has hardly mattered. For more than 40 years the company has continued to mail out a steadily increasing stream of dividend cheques to shareholders. Because of the company's proven ability to hold up in good times and bad, investors can count on this stock to crank out those distributions for decades more to come.

Foolish bottom line

No, there are no sure things in investing. But history shows that it's companies like Fortis who boast a sustainable competitive advantage and regularly reward their shareholders that outperform over the long haul. For investors looking to build their own cash machine, this would be the place to start.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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