



Canadian Oil Sands Ltd and Fortis Inc: A Dynamic Dividend Duo for Your Portfolio

Description

Holding shares of top companies in essential industries is a good way to grow your portfolio. **Canadian Oil Sands Ltd** (TSX: COS) and **Fortis Inc** ([TSX: FTS](#)) offer diversification and healthy dividends for income investors.

These two dividend payers offer excellent exposure to essential industries. Consider each company's attributes as you perform your due diligence on adding cash-generating companies to your family of income stocks.

1. Canadian Oil Sands Ltd

Canadian Oil Sands has a 36.74% interest in the Syncrude project. Its Syncrude asset is made up of large, bitumen-rich leases in the Athabasca oil sands deposit and a fully integrated upgrading facility that produces 100% light, sweet crude oil.

For Canadian Oil Sands, Syncrude's high-quality crude oil resource provides a strong, long-life cash generating asset foundation. Canadian Oil Sands' priority is to increase production volumes at Syncrude. The company has secured solid access to new markets by way of capacity commitments on proposed pipelines to Canada's East and West coasts and the U.S. Gulf coast. It has also contracted storage capacity in Western Canada.

Canadian Oil Sands has revised its 2014 outlook and increased its estimated 2014 cash flow from operations by approximately \$150 million to \$1.3 billion. The company has revised its Syncrude production range to 102 million barrels. Its goal for the year is to achieve production of 105 million barrels at Syncrude.

However, it has reduced the top end by three million barrels to reflect actual results to the end of July. This included outages on sulphur processing units. Nevertheless, it is maintaining the single-point estimate of 100 million barrels — 36.7 million barrels net to Canadian Oil Sands.

Canadian Oil Sands has a strong current dividend yield of 6.05% and its annual payout is \$1.40. It recently declared a quarterly dividend of \$0.35 per share, payable on August 29, 2014.

2. Fortis Inc

The largest investor-owned electric and gas distribution utility in Canada, Fortis has total assets of close to \$25 billion. Its regulated utilities account for approximately 93% of total assets. Its interests include Canadian regulated gas and electric utilities, U.S. regulated gas and electric utilities, and Caribbean regulated electric utilities. It also has some non-regulated, non-utility holdings.

Fortis recently completed the transaction to acquire all of the outstanding shares of **UNS Energy Corp.** UNS Energy is a vertically integrated utility services holding company. Through three subsidiaries, it engages in the regulated electric generation and energy delivery business, mainly in Arizona. This is a quality acquisition for Fortis as UNS Energy's fiscal 2013 operating revenues were roughly US\$1.5 billion. As at June 30, 2014, UNS Energy had total assets of around US\$4.5 billion.

This acquisition will enhance the geographic diversification of Fortis' regulated assets. Therefore, no more than one-third of total assets will be in any one regulatory jurisdiction. Furthermore, Fortis' expansion into the regulated U.S. utility market also included its acquisition last year of New York State utility **CH Energy Group Inc.**

Fortis' current dividend yield is 3.84% and its annual payout is \$1.28. This month, it declared a common share dividend of \$0.32 per share, payable on December 1, 2014. The company has increased its annualized dividend to common shareholders for 41 consecutive years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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Date

2025/09/30

Date Created

2014/08/28

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