



## How Fortis Inc. Could Power Your Dividend Portfolio

### Description

Canada's largest investor-owned utility, **Fortis Inc.** ([TSX: FTS](#)), is a company that will rarely see its stock soar to great heights. In fact, it has been unable to break the \$35.00 mark since February 2011.

The company's operations at home in Canada, however, still boast a strong track record — with its Eastern electricity generation and B.C. natural gas segment. Also, thanks to a slew of acquisitions, Fortis has been able to gain market share in the northeastern U.S. and, most recently, Arizona.

The stock price has been enjoying a nice climb since bottoming out at \$29.58 in December 2013, as it closed Friday at \$34.34. But, unfortunately, the stock is still treading water in the \$30.00 to \$34.00 range as it has for the past three years.

Fortis, nonetheless, is still one of the country's most consistent dividend machines. With 40 consecutive years of dividend increases, this stock has grown to a dividend payout of \$1.28 annually with a yield of 3.7%. So what does the future hold for Fortis' stock and dividend program?

A great plus to its dividend program is the fact that 90% of its business is regulated, providing stable and predictable revenues. With large swaths of Atlantic Canada's power supply along with operations in Ontario and just under 1 million natural gas customers in southern British Columbia, Fortis has been able to establish a sizable market share in a country dominated by crown and formerly crown-owned utilities.

### UNS Energy deal finalized

Along with its Canadian operations, Fortis has made great strides into the U.S. market with its most recent acquisition becoming officially completed. The \$4.3 billion deal to acquire Arizona-based UNS Energy has received federal and state regulatory approval, the last step investors have been waiting for.

UNS Energy adds 657,000 new electricity and gas customers and about \$1.5 billion in annual revenues to Fortis' portfolio in addition to \$4.5 billion worth of assets and \$2 billion worth of debt. Thanks to this acquisition, analysts are projecting double-digit earnings growth for Fortis. Perhaps this

could be the final push to break the stock through its \$35.00 ceiling and to its average price target of \$35.70.

### Recent results

Fortis is by no means hurting when it comes to its financials. In its previous quarter, it posted revenues of \$1.05 billion, up from \$790 million during the same period last year. Year-to-date revenues are \$600 million ahead of last year, setting up a very interesting Q4 report. This growth should be tempered with the fact that earlier acquisition of Central Hudson Gas & Electric Corp. helped boost these numbers.

Net earnings came in a little low at \$63 million, down from \$70 million, but this shouldn't be cause for alarm as this decrease is from the purchase of UNS Energy — specifically, a \$13 million interest charge stemming from convertible debentures issued to finance some of that deal.

Fortis won't knock your socks off with its share price today, but its dividend will impress you down the road. This is a great stable dividend option for investors as demand for energy will only increase. Because whether you're charging your smartphone in Newfoundland or keeping warm in British Columbia, Fortis will continue to pump out its dividend increases.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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