



Fortis Inc.: A Stock With 42 Straight Years of Dividend Hikes

Description

Almost to a fault, investors are primarily focused on yield. It has reached a point now where people will skip over a wonderful business if it doesn't sport an eye-catching payout.

One case in point is **Fortis Inc.** ([TSX: FTS](#)).

Today, the payout on Canada's largest investor-owned utility is a measly 3.6%. Yet investors who give this stock a pass based on yield alone are missing out on some big dividend hikes.

Since 1972, Fortis has increased its dividend 16-fold. If you had bought and held the stock over that time, the yield on your original investment would be more than 35% today. Barring some sort of global crisis, Fortis will raise its payout again January, marking the 43rd year in a row.

[Dividend history 2014F](#)

Source: Fortis Investor Presentation

How has the company been able to pull this off? Well, unless you live in a remote cabin, you probably need electricity to keep the lights on. Because Fortis supplies a product that everyone needs, it can earn big, thick returns year after year.

Much of this cash is passed on to shareholders. Last year, Fortis distributed \$237 million. That tremendous amount of cash shows just how dedicated the firm is to putting money in investors' pockets.

More dividend hikes are almost certainly on the way as sales and earnings climb. Over the next four years, Fortis expects to spend \$9.3 billion in new utility projects, led by investments in Western Canada. Combined with other factors, including the end of a rate freeze at its New York state utility Central Hudson, Fortis's earnings are poised to grow 13% per year through 2018.

Other factors could drive that growth, too. Last month, management announced that they are exploring the sale of Fortis's property portfolio, which is expected to fetch an estimated \$1 billion. Those

proceeds could be reinvested back into the company's utility business or paid out to shareholders as a dividend.

Of course, there are no sure things in the stock market. Because of its steady business, the company's cash flows resemble bond coupons. That means Fortis shares are more exposed than other stocks to rising interest rates.

Risks aside, Fortis has been able to reward shareholders in good times and bad. If you're looking for a fat yield today, then I would recommend looking elsewhere. But if you have a little patience, then this stock is a great addition to any income portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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