

Fortis Inc. Releases Earnings: Should You Buy, Sell, or Hold?

Description

Fortis Inc. ([TSX:FTS](#)), one of North America's largest electric and gas utilities companies, released fourth-quarter earnings this morning and the results came in mixed compared to analysts' expectations. Let's take a closer look at the results to determine if we should consider establishing long-term positions today, or wait for a better entry point in the trading sessions ahead.

The strong fourth-quarter results

Here's a summary of Fortis' fourth-quarter earnings compared to what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.44	\$0.48	\$0.47
Revenue	\$1.69 billion	\$1.52 billion	\$1.23 billion

Source: *Financial Times*

Fortis' adjusted earnings per share decreased 6.4% and its revenue increased a very strong 37.8% compared to the fourth quarter of fiscal 2013, as net earnings increased 13% to \$113 million. These results were driven by the company's acquisition of UNS Energy in August 2014 for approximately \$4.5 billion, which contributed \$435 million in revenue and \$23 million in net earnings in the fourth quarter.

Here's a breakdown of six other highly important statistics from the report compared to the year-ago period:

1. Revenue increased 276.4% to \$621 million in its U.S. Regulated Electric & Gas Utilities segment (including UNS Energy).
2. Revenue increased 4.1% to \$488 million in its Canadian Regulated Electric Utilities segment.
3. Revenue decreased 3.1% to \$432 million in its Canadian Regulated Gas Utilities segment.
4. Revenue increased 9.1% to \$84 million in its Caribbean Regulated Electric Utilities segment.
5. Cash provided by operating activities increased 43.3% to \$334 million.
6. Fortis ended the quarter with \$230 million in cash, an increase of 219.4% year-over-year.

Fortis announced its second-quarter dividends, and it will be maintaining its quarterly dividend of \$0.34 per share. The dividend will be paid out on June 1 to shareholders of record at the close of business on May 19.

Is now the time to buy shares of Fortis?

Fortis is one of the largest electric and gas utilities companies in North America, and its acquisition of UNS Energy and increased demand by its customers led it to a very strong fourth-quarter performance.

I think Fortis' stock represents an attractive long-term investment opportunity, regardless of how it reacts to the earnings release over the next couple of trading sessions, because it trades at inexpensive valuations and pays a bountiful dividend.

First, Fortis' stock trades at just 21.7 times fiscal 2014's adjusted earnings per share of \$1.81 and only 19.5 times fiscal 2015's estimated earnings per share of \$2.02, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 22.1.

Second, Fortis pays an annual dividend of \$1.36 per share, giving its stock a very generous 3.5% yield at current levels. Also, the company has raised its dividend for 42 consecutive years, the record for a public corporation in Canada, and I think this makes its stock both a value and dividend play today.

With all of the information above in mind, I think Fortis represents one of the best long-term investment opportunities in the market. Foolish investors should take a closer look and strongly consider initiating positions today.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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Author

jsolitro

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