



## Income Investors: Buy Fortis Inc. for Stability and Growth

### Description

If you're looking for income, you have come to the right place. Sure, you could put your money in Guaranteed Investment Certificates, but due to the low interest rate environment, you'd only get 1-2% of interest. That doesn't help to keep up with inflation and to maintain your purchasing power.

However, by investing in stable dividend-growth stocks such as **Fortis Inc.** ([TSX:FTS](#)), you get a 3.8% yield to start. The business is going to grow and earn more money over time. And, as a result, your shares in the company will appreciate in value over time. In the meantime, you will also receive a higher income every year from its dividends. Why am I so confident in Fortis?

### About the business

Fortis is a leading North American electric and gas utility with total assets of roughly \$28 billion and fiscal 2014 revenue of \$5.4 billion. Its regulated utilities serve more than three million customers across Canada and in the United States and the Caribbean.

### Stellar quarterly performance

Fortis posted record earnings of \$244 million in its second quarter. This equates to \$0.88 per share compared with \$0.22 per share in the same period last year. However, much of the boost came from one-time gains associated with the sale of Fortis's commercial properties and non-regulated hydroelectric generation assets in New York. Excluding the sale transactions, Fortis would still have posted earnings of \$0.44 per share.

The net proceeds from the sales will be used to repay credit facility borrowings largely associated with the acquisition of UNS Energy Corporation. The stellar second-quarter performance was driven by its regulated utilities and UNS Energy, which had a \$0.09 accretive impact on earnings per share, or \$52 million of earnings contribution. As well, the Waneta Expansion that came online in April contributed \$12 million to Fortis's earnings for the second quarter.

### Focused and set for growth

Fortis is focused on its core businesses. It has sold non-core assets, expanded into the U.S. regulated utility market, and brought the Waneta generating station online. Fortis's commercial property sales are expected to close in the fall, after which, essentially all of Fortis's assets will be regulated utilities or long-term contracted energy infrastructure. These assets ensure Fortis's stable earnings and is a good long-term investment for conservative investors.

Fortis doesn't only offer stability, but it growth as well. Fortis's plan for 2015-19 includes investments of \$9 billion, of which, \$2.2 billion in investments will occur throughout 2015. The growth expectation from the spending is around 6.5% per year.

### **Long history of dividend growth**

Other than having a solid business model of accumulating regulated utility assets, another reason to trust Fortis is its long history of dividend growth. Fortis is in the second spot for having the longest dividend-growth streak as a Canadian company. It has increased dividends for over four decades!

Its last hike was in the first quarter of 2015 when the dividend grew by 6.3%, double the rate of inflation. Further, shareholders can opt to reinvest dividends at a 2% discount for a larger stake in the company at no extra cost.

### **In conclusion**

If you're looking for a stable, long-term investment that gives you a decent yield to start, you should consider Fortis. With organic growth plans in place, the utility, with its excellent history of dividend growth, should continue increasing your income at a pace faster than inflation.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:FTS (Fortis Inc.)

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