



Fortis Inc. Is Quietly Growing into a Continental Powerhouse

Description

Fortis Inc. ([TSX:FTS](#)) is one of the largest electric and gas companies in North America, serving over three million customers in Canada as well as in the U.S. and the Caribbean.

Fortis has developed a reputation for being an overlooked stock. The company does not have a flashy portfolio of products or services, nor is it in the news very often. What the company has done, however, is keep investors happy over the years by both performing well and raising the dividend.

That reputation as an overlooked stock may start to change, at least in the short term. Fortis announced this week its intention to purchase **ITC Holdings Corp.** ([NYSE:ITC](#)) in a massive US\$11.3 billion deal. Here's what the deal means for Fortis and investors.

The deal that would push Fortis up a notch

The proposed deal to acquire ITC includes a US\$6.9 billion offering in cash and US\$4.4 billion in assumed debt. The company intends to issue US\$2 billion to help fund the deal, which will in essence add to the company's debt.

Once the deal is completed, ITC shareholders will have a 27% stake in the combined company. Shareholders of ITC can expect to receive US\$22.57 and 0.7520 Fortis shares per ITC share. This is a 33% premium over what ITC shares were trading for on November 27, which was when ITC announced it was looking into options for a possible sale.

The combined company will also boost Fortis up in terms of value for an estimated value of \$42 billion. Fortis is already the largest utility owner in Canada, and this deal would position Fortis as the thirteenth-largest public utility company in North America.

The deal is in line with the company's longstanding strategy of growth through acquisitions.

Investors can expect more of the same—and more—from Fortis

Fortis is no stranger to acquisitions. The company has been steadily expanding over the years in a

very Fortis-like “under the radar” manner. The company purchased CH Energy Group Inc. in 2013 for US\$1.5 billion, and then in 2014 Fortis purchased UNS Energy Corp., which was based out of Arizona, for US\$2.5 billion.

This latest deal with ITC will expand Fortis’s reach into the U.S. by a further eight states and 25,000 km of transmission lines.

The combined company will apply to be listed on the New York Stock Exchange.

While the deal has already been approved by the boards of both companies, there are still a number of approvals that will need to be sought—not only from shareholders—but at the state level as well as from the government and regulatory bodies.

Both companies expect that the deal should be completed by the end of the year.

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