



## 2 Reasons Why Fortis Inc. Is My Top Utility

### Description

**Fortis Inc.** ([TSX:FTS](#)) is one of the largest utility companies in North America. It has steadily grown over the years and, as a result, started to attract more and more attention from investors and analysts alike. The utilities provider has developed a particular knack for not only acquiring other large utilities but doing so in such a way that the company's incredible growth has fallen under the radar of most investors.

Here's a look at Fortis and why the company is now my top utility pick.

#### 1. Fortis is constantly looking for more growth

Utility companies typically do not see huge growth. They provide an essential service by meeting an existing need in the market and get paid for that service, and the process repeats. Organic growth typically comes about as the utility replaces aging facilities with newer, more efficient and advanced power-generation facilities or through the growing needs of the area the facility serves (which is likely a slow process). In other words, typical utility growth is small.

Fortis grows primarily through acquisitions, some of which have had long-lasting impacts for the company. The company announced earlier this year the purchase of ITC Holdings Corp. in a US\$11.3 billion deal.

ITC is a pure-play transmission company that complements Fortis's coverage area as well as expands it. The deal will expand Fortis's reach into eight new states and propel the value of the combined company to an estimated \$42 billion, making the company one of the largest utilities on the continent.

The ITC acquisition follows another acquisition back in 2013 for UNS Energy of Arizona, which Fortis paid US\$4.5 billion for. That deal added 654,000 electricity and gas customers to Fortis.

#### 2. Fortis is a forever stock with growth and dividend potential

There's no denying that Fortis's recent acquisitions will make a great revenue-producing company even better. Utilities provide a stable income, and Fortis is well diversified and connected across both

regulated electric and gas utility customers to weather nearly any change in demand for power. This defensive moat gets bigger with each acquisition, which leads to more revenue from—for the most part—regulated sources.

Fortis currently pays a quarterly dividend of \$0.38 per share, giving the company an impressive yield of 3.58%. Even more impressive is the fact that the company has increased that dividend consecutively over the past 43 years. Better still, management has committed to raising the dividend by 6% each year until 2020.

Year-to-date the stock is up by an impressive 12%, and extending this out to a full 12 months shows an increase of 18%. The current stock price of \$41.83 is just shy of the 52-week high of 41.93. Long-term investors who are considering Fortis could complement the impressive dividend income with the knowledge that the stock price has increased nearly 30% over the past five years.

In my opinion, Fortis represents an excellent investment opportunity, particularly for those investors looking for both dividend income as well as long-term growth. Fortis has demonstrated an incredible desire to grow beyond the confines of being just another utility. With each acquisition it becomes more of an attractive offering for investors.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:FTS (Fortis Inc.)

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