



## 3 Good Reasons Conservative Investors Should Own Fortis Inc.

### Description

Utilities don't come up as popular ideas for investments. Yet three out of the top five publicly traded Canadian companies with the longest dividend-growth streaks are utilities.

Among the utilities, **Fortis Inc.** ([TSX:FTS](#)) offers one of the most stable returns with the least volatility. Some stocks are known to be especially volatile, but Fortis is the opposite. It's especially stable because it offers essential products and services, which are needed no matter what part of the economic cycle we're at.

### Stability

Fortis has 3.2 million gas and electric customers across nine utility operations in Canada, the United States, and the Caribbean. It has about 96% of regulated assets that generate stable returns.

During the last recession, from its peak in 2008 to its trough in 2009, Fortis's share price declined almost 26%.

If you think that was bad, think about Canada's banking leader, **Royal Bank of Canada**, which declined about 50%, and **Alimentation Couche-Tard**, which declined 40% and has become a growth phenomenon by appreciating more than 800% since 2010.

Investors have to mentally prepare themselves for a market-wide decline at any time. However, having Fortis in their portfolios should help mitigate such an impact.

### Steady growth

Since Fortis is virtually a regulated utility, its return on equity (ROE) is set. In its June presentation it indicated it earns an ROE of 8.3-10% for its various utilities.

Once the **ITC** acquisition completes, it's expected to be accretive to Fortis's earnings per share. It's a positive that ITC's allowed ROE is greater than 11%.

Fortis has already entered the U.S. market by acquiring Central Hudson and UNS Energy in the last few years. Those acquisitions proved to be excellent investments as their allowed ROE tends to be slightly higher than Fortis's Canadian utilities. Fortis also benefits from a strong U.S. dollar against the Canadian dollar.

Fortis also has a \$9 billion capital plan from 2015 through 2020 that should bring its rate base to \$20 billion.

As a result of its regulated assets, U.S. expansion, and capital program, Fortis should continue to grow steadily with predictable returns.

### **Dividend growth**

Fortis has already increased its dividend for 42 consecutive years. And that dividend-growth streak should continue as the utility guides to increase its dividend by 6% per year through 2020.

At \$42.60 per share, Fortis yields 3.5% with a sustainable payout ratio of about 69%.

### **Conclusion**

If you're a conservative investor looking for stability and peace of mind, consider owning Fortis in your portfolio. It is especially a great buy on uncommon occasions where it yields 4% or higher.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:FTS (Fortis Inc.)

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