



Fortis Inc.: Time to Buy and Forget This Attractive Stock

Description

One thing that I'm always on the lookout for to add to my portfolio is a stock that I can buy, forget about, and collect a healthy dividend from. If you think that this sounds a little too good to be true, then you haven't been introduced to **Fortis Inc.** ([TSX:FTS](#)).

Meet Fortis, the buy-and-forget stock

Fortis is the largest utility in Canada and one of the largest on the continent. Fortis's portfolio boasts over three million customers to the company's regulated electric and gas facilities. Fortis additionally owns and operates various energy-related infrastructure.

Utilities are typically considered to be boring investments that lack real growth options. Utility rates are, for the most part, regulated, which in turn means lean margins that are just big enough to keep operations going.

Utility growth is typically reliant on population growth or aging facilities that need to be replaced. Unfortunately, this type of growth can take a generation or more to materialize, which is where the boring label that utilities are typically associated with comes from.

So what makes Fortis different?

The toll-booth factor

In some ways, investors of Fortis must feel like toll-booth collectors. Fortis provides an essential service, gets paid for providing that service, and in turn passes that on to shareholders in the form of a quarterly dividend.

That dividend is currently set to \$0.38 per quarter, which gives the stock a very respectable yield of 3.59%. And just like toll booths, Fortis has increased this rate every year for more than four decades and has stated that yearly increases of approximately 6% should continue through 2020.

For some investors, a proven track record of dividend increases spanning four decades may be more

than enough to warrant a position, but Fortis is also one of those rare stocks that can also provide significant growth to investors.

Growth by acquisition

Fortis has grown significantly over the years through a variety of acquisitions that have focused on key markets and expanded it into new ones. In the past three years alone, Fortis has completed two major acquisitions and has a third in the process of being completed.

In 2013 Fortis completed the acquisition of CH Energy Group Inc. in a deal worth US\$1.5 billion. This was followed up with another deal worth US\$2.5 billion in 2014 for UNS Energy Corp.

The third acquisition underway is for ITC Holdings Corp. for a staggering US\$11.3 billion. ITC is a pure-play transmission company with a footprint that overlaps Fortis's own generating facilities. Combined, the two companies will create one of the largest energy generation and transmission companies in North America with a market value of over \$42 billion; it will also add eight states to Fortis's portfolio.

The deal is expected to be finalized later this year, and several states, including Oklahoma and Missouri, have already inked their approval to the deal as recently as this week.

Fortis currently trades at \$41.82 and is up nearly 12% year-to-date, which only adds to the number of reasons investors should consider the stock. Looking out over a longer term, the stock is up by nearly 30% over the past five years.

In my opinion, Fortis is a great core investment for almost any portfolio. The company has strong growth prospects, pays a handsome dividend, and provides a steady revenue stream that is in no danger of disappearing anytime soon.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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