



How Fortis Inc. Continues to Impress Investors

Description

Most utility companies have a longstanding reputation as boring investments. And by boring, I mean little to no growth prospects and nothing really new in terms of new offerings, developments, or opportunities.

The reason I say *most* utility companies is because of **Fortis Inc.** ([TSX:FTS](#)). The St John's-based utility company has grown in recent years thanks to a number of smart acquisitions that have seen the utility shoot from under \$400 million in assets 30 years ago to a nearly \$50 billion in assets next year once the latest merger is completed. As impressive as this sounds, there's plenty more to love about Fortis.

The “un-utility” company

Utility companies typically have one major advantage, and that is a guaranteed revenue stream. Utilities have long-standing regulated agreements to generate or deliver power in return for that solid revenue stream. Even better, those agreements can be in place for upwards of 30 years. As great as this sounds, there's only one problem, which is the source of the entire boring argument. Where does growth come from?

There are two typical ways for a utility to grow. The first is by ramping up production to match the growing needs of the community the facility serves. The problem with this is that those growing needs are contingent on population growth, which could take a generation or more to occur. The second way is by replacing or upgrading existing facilities to be more efficient or produce more power.

Fortis has augmented these with a third option: growth by acquisition, which has worked well for the company throughout the years.

Growth by acquisition

The meteoric growth of Fortis over the years can largely be attributed to making the right acquisition at the right time. By way of example, the most recent acquisition, **ITC Holdings Corp.** for \$11.3 billion, received U.S. federal regulatory approval this week, which should see the deal completed as originally

planned by the end of the year.

ITC is a pure-play transmission company with complementary footprint to that of the generating capabilities of Fortis. Through the course of integrating ITC, Fortis will expand operations into eight new state markets that Fortis didn't have access to before.

The ITC deal is only the latest in a stream of deals that Fortis has completed over the past few years. Fortis purchased CH Energy Group Inc. for a reported \$1.5 billion in 2012, and then Arizona-based UNS Energy Corp. for \$2.5 billion a year later.

Buy Fortis now, hold forever

Putting all of the pieces together, we have an image of Fortis as a strong growth option for your portfolio that's fueled by a consistent revenue stream and a growing list of acquisitions which have bumped Fortis into an exclusive club as one of the largest utility companies on the continent.

The only way to make Fortis a more compelling investment would be if the company had a great-paying dividend, which it does.

Fortis pays a quarterly dividend in the amount of \$0.40 per share, which gives Fortis a very healthy 3.9% yield at the current stock price. Impressively, that dividend has also risen for over 44 consecutive years.

In my opinion, Fortis is one of the best options on the market for investors that are looking for a stock that has both growth and income potential.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

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