



Get Stable, Long-Term Growth From Fortis Inc.

Description

Every once in a while, a great stock comes around that catches our attention, yet it somehow flies past most investors as just another regular stock.

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) is one of those stocks.

As the largest utility in Canada and one of the largest utilities on the continent, Fortis is by no means a small company. Fortis has a growing footprint across the U.S., Canada, and the Caribbean. But size alone is not what makes Fortis a great investment.

Strong growth in an industry that typically doesn't have strong growth

One of the main reasons that investors tend to step around Fortis when looking for an investment is that Fortis is a utility. The overwhelming majority of revenue from utility companies comes from regulated rates. While this makes for stable and predictable income for the company, it typically doesn't leave much room for growth.

This is where Fortis breaks the mould of the typical utility. The company has engaged in a number of acquisitions over the years, which have expanded company into new areas.

The recent ITC acquisition is a prime example of this. ITC is a pure-play transmission company that has a complementary footprint to the generation capabilities of Fortis. Overlaying ITC's and Fortis's coverage maps depicts Fortis gaining access to eight new markets it didn't have prior to the deal.

ITC may be the most recent and largest acquisition, but it is by no means the only one. Fortis also purchased Arizona-based UNS Energy in 2013 and CH Energy Group Inc. for \$1.5 billion in 2012.

These acquisitions have not only helped Fortis build a larger network, but also grow its revenues and feed the impressive dividend the company offers.

Fortis pays a great dividend

There are only a handful of companies that have been paying dividends for well over a generation and fewer that can attest to raising that dividend consistently throughout a long period of time.

This year, Fortis marked the 44th consecutive year of increasing the dividend. Fortis currently pays a quarterly dividend of \$0.40 per share, which, given the current stock price, results in a fairly impressive yield of 3.93%.

Fortis's payout ratio is a very sustainable 70%, which leaves room for both growth and future investment as needed. Speaking of growth, Fortis has established targets that will see the dividend continue to grow by approximately 6% through the next five years.

That growth is set to be fueled by a massive five-year capital program, which includes \$12.8 billion in investments spread across assets in Canada, the Caribbean, and the U.S.

In short, Fortis is the perfect definition of a great long-term dividend stock that should be a part of almost any portfolio. The current stock price sits just below \$41, and the company has a P/E of just 22.06. The stock could be considered a bargain.

CATEGORY

1. Investing

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