



Why Fortis Inc. Is a Great Buy-and-Forget Stock

Description

Utility companies may not have the most exciting reputation with investors, but **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) may be one of the best investments you can add to your portfolio.

One of the reasons that Fortis and utility companies specifically are overlooked by investors is because of the stereotypical nature of utility companies. They are not seen as the most promising of investment options with little growth prospects and a business model that's reliant on what is primarily regulated, fixed-price revenues.

Fortis differs from that stereotype thanks to a strong dividend, an aggressive growth strategy, and growth prospects that have helped the company grow to become one of the largest utilities on the continent.

Fortis recently provided a quarterly update which shattered already high expectations, solidifying for investors why the company continues to be such a great investment opportunity.

Quarterly earnings update

In the most recent quarter, Fortis reported net earnings of \$189 million, or \$0.49 per common share, handily beating the \$135 million, or \$0.48 per common share, reported in the same quarter last year.

The latest results come just a year after Fortis announced the largest transaction in its history — the US\$11.8 billion acquisition of ITC Holdings Corp. The transaction was also the impetus for the company finally trading on the New York Exchange and will fuel growth for the next few years.

What do these results mean for investors?

Fortis has developed a reputation as being a great investment option for several reasons. These latest results continue to reaffirm that belief. In fact, Fortis's dividend in particular is reason enough to invest in the company.

Fortis pays a quarterly dividend of \$0.40 per share, which results in a respectable yield of 3.71% at the

current stock price of just over \$43. Investors pondering Fortis should also consider the growth of the stock over a longer period, which reflects 31% growth over the past five years and 14% in the past year alone.

Another factor to consider is that Fortis has provided a dividend to shareholders for an impressive 43 consecutive years, and the payout ratio for the stock is a very sustainable 58%. This leaves ample room for growth over the next few years.

When the acquisition of ITC was announced last year, management was quick to note that the deal would provide growth prospects for Fortis for several years to come. Now that the deal has been completed, these latest results leave little doubt that growth will continue; management cited that 6% growth is targeted over each of the next few years. Furthermore, the ITC deal also exposed Fortis to several new states the company didn't operate in previously.

In my opinion, Fortis represents a great long-term opportunity for those investors looking for long-term growth and a growing source of income. The 43 consecutive years of healthy dividend gains and an aggressive growth strategy which continues to introduce Fortis to new markets will keep this stock performing well in your portfolio. It is a true buy-and-forget holding.

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