



Power Up Your Portfolio With Fortis Inc.

Description

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) is a fantastic option in the regulated utilities space, offering investors significant long-term upside potential amid rising interest rates. Fortis is currently up approximately 5% year-to-date and has seen significant investor interest following its acquisition of ITC Holdings Corp. for US\$11.8 billion earlier this month.

With over 95% of the company's assets regulated (70% electricity and 25% gas), and the remaining assets secured with long-term power-generation contracts, Fortis's revenue streams are very robust, making this company a great long-term defensive pick for investors looking for exposure to utilities without massive downside swings in prices due to commodity price changes for electricity or gas.

Great income option

Perhaps one of the best attributes of Fortis's business model is that the company distributes a significant portion of its earnings to shareholders via a stable and growing dividend. The company has delivered a significant long-term dividend yield and has raised its dividend for the past 43 consecutive years, making this company one of the most consistent and noteworthy income picks for long-term income investors.

A fantastic backlog of projects combined with healthy and timely acquisitions have allowed Fortis to maintain and target an annual dividend increase of 6% for the next five years. If the company is able to continue to achieve its dividend-increase targets over the better part of the next 10 years, investors who buy in today will see their income yield double before 2027.

Any time a long-term yield can appreciate with confidence (43 consecutive years of increases will do that), investors can lock in money for long periods of time and reap the increasingly higher yields in the future. This snowball effect is one of the ways some of the best long-term investors in the business have grown cash positions decades after picking up a stock at relative value prices.

A defensive gem

While many investors are going on the offensive due to the recent Trump election, having a few stable

defensive names in a portfolio can help to stem any downside risk in the years to come.

Regardless of what happens over the next four years, an investor willing to put long-term money to work today should think about the type of company that would be worthy of an investment that can be “forgotten.” The company should be relatively safe with a low default risk and have significant income-appreciation potential in the long run.

Fortis hits all those boxes due to the nature of its underlying businesses. Because Fortis is a regulated electricity and gas utility with a number of long-term contracts and revenues that are stable and secure, this is a company that is much less exposed to short-term fluctuations in commodity prices than “pure” plays, or other companies that are less diversified. In good times and bad, this is a company that will distribute income back to shareholders.

Fortis has lagged behind the utilities market, and analysts largely believe there is 10-20% upside on the capital appreciation associated with this stock in addition to its dividend yield. Currently, 10 out of 14 analysts have this stock at a buy with four assessing this stock as a hold. This may be one of the best picks for 2017 and beyond.

Stay Foolish, my friends.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/19

Date Created

2017/02/22

Author

chrismacdonald

default watermark

default watermark