



## Buy Fortis Inc. for More Than Income

### Description

**Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is one of the largest utilities on the continent. Its massive network spans five provinces, nine states in the U.S., and three countries in the Caribbean.

However impressive it is that Fortis's coverage has grown, this alone doesn't make Fortis a great investment. But there are more than a few reasons why investors who haven't invested in Fortis yet should look at what the company can offer.

### Defensive moat and steady cash flow

One of the things I absolutely love about investing in utilities is the defensive moat they command. The revenues that a utility generates are, by and large, regulated through contracts that can span upwards of 20 years. Fortis is no exception to this with 93% of earnings coming from regulated utilities.

When you factor in those long-term, regulated contracts, along with it providing a service that is taken for granted, the result is a stable revenue stream that goes largely unquestioned in an industry where the threat of a new competitor emerging is razor thin.

In terms of results, in the most recent quarter, Fortis posted net earnings of \$189 million, or \$0.49 per common share, bettering the US\$135 million, or \$0.48 per share, posted in the same quarter last year.

### Growth and income play

One of the common criticisms of utility investments is that they lack any form of growth, instead relying on organic growth of the markets they serve to drive expansion. This gives utilities a reputation as being boring investments.

This is an area where Fortis excels well beyond any other utility. Through an aggressive growth-by-acquisition policy, Fortis has grown into one of the top 15 largest utilities on the continent. To show how aggressive and successful that policy has been, just 30 years ago, Fortis had just \$390 million in assets. Today, that figure is \$48 billion, and the company has over three million customers across all markets.

Fortis's most recent acquisition, ITC Holdings, received regulatory approval this past fall. The US\$11.3 billion ITC deal has allowed Fortis to expand into seven new U.S. states where the company previously did not operate, and revenue from the combined company will provide 6% growth annually over the next several years and will continue to fuel Fortis's outstanding dividend.

Fortis has been paying a dividend to shareholders for 43 consecutive years. That itself is an accomplishment worthy of investment, but Fortis has also increased the dividend in each of those years. The current quarterly dividend stands at \$.040 per share, which results in a respectable 3.73% yield.

Fortis maintains that dividend with a very sustainable payout rate below 60%. Long-term investors will appreciate that payout and dividend growth that four decades' worth of increases can provide.

### **How does Fortis fit in your portfolio?**

Fortis fits the definition of a buy-and-forget stock that is well suited for just about any portfolio. More than four decades of dividend growth, impressive results, and an aggressive growth policy will keep investors more than satisfied with their investment.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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

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