



This 1 Stock Will Electrify Your Portfolio

Description

In a world of uncertainty and heightened valuations, finding quality investment opportunities at a discount relative to historic entry points can be very difficult. As a value investor, I can say that right now may be one of the toughest times for “cigarette butt” investors — investors looking for significant long-term upside in equity securities.

One of the stocks I have analyzed in detail of late is **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)). Fortis has a strong core business model and sustainable and steady earnings; it returns significant value to shareholders in the form of dividends that have grown and are expected to continue to grow at an average annual rate of 6%.

Strong business model

As a provider of electricity generation and transmission with a strong and growing natural gas portfolio, this company has two things every investor considering a commodities company should look for: (1) diversification and (2) stable growth.

The fact is, Fortis has been expanding its reach geographically through acquisitions and organic growth. Its most recent acquisition of U.S. pure-play electricity transmission company ITC Holdings Corp. signalled the company’s strategic direction and ability to make smart bolt-on acquisitions that make sense for the company now and in the long term.

The acquisition strategy is complemented by Fortis’s long-term infrastructure spending plan, in which the utilities giant is expected to invest \$13 billion over the next four years to replace and modernize its existing infrastructure and add new renewable energy assets to its portfolio. Over the next four years, Fortis expects its rate base to grow by \$30 billion, providing it with a margin of safety to continue to invest and distribute funds to shareholders over the medium to long term.

Excellent dividend

The strength of Fortis’s business model gives the company the ability to return substantial dividends to investors, dividends which are growing and will continue to grow. Fortis’s impressive track record of

over 43 consecutive years of dividend hikes shows that even the most conservative investors can expect the trend to continue in the long run.

One of Benjamin Graham's fundamental indicators that he looked for in strong companies was a track record of at least 10 years of dividend distributions — preferably distributions that have grown over that period of time. Fortis is one of the few Canadian companies out there that blows away this criteria.

Conclusion

Overall, I would say my perspective over the past 10 years has generally been cautious (and many times, outright bearish). With indices around the world reaching record highs of late due to bolstered expectations for growth and corporate earnings, I remain very cautious and continue to look for safe havens with significant long-term upside potential. At this time, Fortis is one of the few companies meeting my investment criteria.

Stay Foolish, my friends.

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