



## Fortis Inc. Is the Only Utility Your Portfolio Needs

### Description

Utilities make great investment options thanks to their steady stream of revenue and income-generating abilities, but they often fall short as lacking any significant growth prospects.

**Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is an exception to this stereotype, making the company a unique investment opportunity for your portfolio.

### Why do utilities lack growth?

A typical utility has what is referred to as a PPA, or power-purchase agreement, in place that stipulates how much revenue the company earns in exchange for providing services to the community it serves. The contract is regulated and typically can span up to 20 years or more, providing a steady and recurring source of revenue for the company.

As nice as a stable source of revenue is, it leaves little room for growth, apart from the organic growth in the communities the utility serves, or waiting for a generation or more to replace aging facilities with newer, more efficient models.

### How is Fortis different?

Fortis is renowned for having an insatiable appetite towards expansion. Just over 30 years ago, the company held assets that were worth under \$300 million, and the company was primarily a local player among utility companies. Today, Fortis is one of the 15 largest utilities on the continent with assets that are worth nearly \$50 billion, and operations spanning the U.S., Canada, and the several countries in the Caribbean.

Fortis achieved this level of growth not only by acquiring other random utilities but by strategically selecting the acquisition targets that complement the company's operations and fuel growth within the company for several years while the acquired company is fully integrated.

The latest major acquisition of Fortis is a great example of this. ITC Holdings Inc. was purchased last year in a US\$11.3 billion deal that saw Fortis expand into seven new U.S state markets that were not

previously served. Additionally, ITC, as a pure-play transmission company, had a footprint that was complementary to Fortis's generating capabilities, which opens potential synergies for the company over time.

From a growth perspective, the ITC deal is set to provide an annual growth of 6% to Fortis over the next few years.

### **Growth prospects**

Fortis offers investors a handsome quarterly dividend that pays out \$1.60 annually, which results in a yield of 3.45% at the current stock price. Even better, that payout is both sustainable and consistent.

The payout level over the past few years has come in around 65%, and, in terms of growth, Fortis has provided an annual increase to the dividend for well over four decades and has plans to continue those increases through 2021, making Fortis a stable investment for the income-seeking investor.

### **Is Fortis a good investment?**

Fortis is a great investment provided that your goal is to have a steady stream of income. Fortis has an impressive record of raising the dividend, and the company has already stated that investors should expect 6% growth annually over the next few years.

While Fortis can provide growth to investors, that growth will be a steady yet respectable trickle upwards. Over the past year, the stock has appreciated nearly 6%, and the stock has averaged nearly 8% growth over the past five years.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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

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