



Why Fortis Inc. Rose 1% on Friday

Description

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)), one of North America's largest electric and gas utilities companies, announced its second-quarter earnings results before the market opened on Friday, and its stock responded by rising about 1% in the day's trading session. Let's take a closer look at the results and the fundamentals of its stock to determine if we should be long-term buyers today.

A very strong quarterly performance

Here's a quick breakdown of six of the most notable statistics from Fortis's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Revenue	\$2,015 million	\$1,485 million	35.7%
Operating income	\$622 million	\$311 million	100%
Earnings before income taxes	\$414 million	\$170 million	143.5%
Adjusted net earnings	\$253 million	\$129 million	96.1%
Adjusted earnings per share (EPS)	\$0.61	\$0.45	35.6%
Operating cash flow	\$649 million	\$448 million	44.9%

Should you buy Fortis today?

It was a fantastic quarter overall for Fortis, and it capped off a great first half of the year. Its revenue increased 31.7% year over year to \$4.29 billion, and its adjusted EPS increased 15.9% year over year to \$1.31. That being said, I think its stock should have risen much more than 1% on Friday, and I think it represents a very attractive long-term investment opportunity today for two main reasons.

First, it's attractively valued. Fortis's stock trades at just 18.3 times fiscal 2017's estimated EPS of \$2.47 and only 17.3 times fiscal 2018's estimated EPS of \$2.60, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.5. These multiples are also inexpensive given its current earnings-growth rate and its estimated 6% long-term growth rate.

Second, it's one of the market's best dividend stocks. Fortis currently pays a quarterly dividend of \$0.40 per share, equal to \$1.60 per share annually, which gives it a generous 3.55% yield. It's also very important to note that the company's 6.7% dividend hike in September 2016 has it on pace for 2017 to mark the 44th consecutive year in which it has raised its annual dividend payment, and it has a dividend-growth program in place that calls for annual growth of approximately 6% through 2021, making it both a high-yield and dividend-growth play.

With all of the information provided above in mind, I think Fortis would make a great addition to any Foolish portfolio.

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