



Fortis Inc.: A Buy-and-Forget Option Your Portfolio Needs

Description

Some of the best investments on the market are companies that have massive, impenetrable moats and stable, reliable sources of revenue coming in, which the company then passes on to investors in the form of a well-paying dividend.

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) continues to offer investors all of that and more.

Fortis is one of the 15 largest utilities on the continent with over three million customers and operations in five provinces, nine U.S. states, and three Caribbean countries.

Fortis is unlike the typical utility. Utilities typically rely on regulated, long-term contract pricing to establish a stable and secure revenue stream. The contracts are referred to as power-purchase agreements and can span upwards of 20 years. While this does provide a stable stream of revenue, critics of utility investments often note that this model leaves little room for growth, apart from the organic growth of the community that the utility serves.

Fortis differs in this regard in that it has a nearly insatiable appetite for expansion, which Fortis has satisfied through a series of well-thought-out and well-executed acquisitions.

Fortis has an impressive record of growth by acquisition

Fortis has a long list of acquisitions that have continued to fuel growth and subsequent acquisitions. The most recent major acquisition was the US\$11.3 billion deal for U.S.-based ITC Holdings Corp., which, at the time, was the largest pure-play independent transmission utility in the U.S. with a network of over 15,000 miles of high-voltage lines. Much of that network traversed areas that Fortis already had a presence, so the acquisition only solidified Fortis's already impressive moat.

The deal also exposed Fortis to several new state markets, and the combined company now has assets of nearly US\$50 billion, and the U.S. market accounts for more than 50% of earnings.

The ITC deal wasn't the only masterstroke from Fortis; prior deals for CH Energy Group exposed the company to the market north of New York City, and the 2013 deal for UNS Energy for US\$4.3 billion

allowed Fortis entry into the Arizona market. Both those deals added over one million customers alone.

In terms of a dividend, Fortis pays a quarterly dividend that comes out to \$1.60 annually. The 3.48% yield is appetizing, but what will really impress investors is the growth of that dividend.

Fortis has an established record of increasing the dividend annually which spans well over four decades, and the company does not appear to be set to surrender that record. The ITC deal is also set to contribute to that continued dividend growth, averaging 6% annually for the next five years.

Those dividends can add up considerably over time; by way of example, just over a decade ago that dividend paid out just \$0.67. The stock has also appreciated by over 75% since then.

Isn't Fortis expensive?

Critics of Fortis often note that the stock is a little on the pricey side. While this may hold some truth, in the current market, there's no shortage of stocks to choose from that are expensive.

With a P/E of 20.29, Fortis is not the most expensive option to pick from, nor is the company trading at a discount level. What Fortis can provide, however, is a stable stream of income that has grown considerably over the past four decades and appears set to continue that trend for years to come.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/07/28

Date Created

2017/08/12

Author

dafxentiou

default watermark