

A Dividend-Growth Giant Finally Declares its 44th Consecutive Dividend Raise

Description

Dividend-growth giant **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) has finally declared its much-anticipated fourth quarter (Q4 2017) common share dividend on Monday, October 16, raising the payout by 6.25% in a 44th consecutive annual dividend raise from the energy utility holding company.

Fortis has increased its quarterly dividend from \$0.40 per share to \$0.425 a share, and this latest dividend will be payable on December 1 to common shareholders of record on November 20.

The forward yield stands at 3.72% when calculated at the \$45.71 market opening share price today. Investors taking a position around this time could potentially lock in a yield of 4.98% by 2022 if Fortis manages to execute its planned dividend raises over the next five years.

The regulated energy utilities giant has been true to its dividend policy promise of gradually increasing its common share dividends by a target rate of about 6% per annum through 2022, and management reiterated this policy position during the latest dividend announcement.

As [previously discussed](#), common shareholders in Fortis were expecting the dividend announcements to come during the last week of September, as had become customary over the last few years.

There wasn't much risk to the dividend, even after Hurricane Irma's significant disruption of business in the Caribbean islands earlier in September; Fortis had to deploy an emergency recovery team to reconnect power to the islands after severe damages to the power distribution infrastructure.

Dependable dividend-growth stock

Fortis is an international energy utility holding company that has been efficiently executing its business growth plans for decades, and the company's focus on regulated electric and gas utilities in the United States, Canada, and the Caribbean islands may enable it to generate highly stable and dependable cash flows for the long foreseeable future.

The latest expansion efforts into the United States, which have transformed the company's once Canada-oriented portfolio, to become 60% invested in the United States have brought about geographic and regulatory structure diversification, which brings more growth opportunities to the holding firm.

Dividend payout ratios have been in the medium quality range over the past five years, and the outlook is for the company to maintain good coverage of the common and preferred dividends in the near future.

This will be much easier if the announced upward adjusted \$14.5 billion capital expenditure program for 2018 through 2022 successfully expands the stable revenue base and boosts operating cash flow generation going forward.

Income investors may enjoy a sustainably growing dividend payout from Fortis while holding a

potentially defensive stock whose business line is very much poised to outperform the market during recessions.

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Date

2025/09/06

Date Created

2017/10/16

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