

## This Dividend-Growth Star Hikes its Dividend Again

### Description

**Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) has not once disappointed its shareholders in the last 44 years with its dividend growth. The regulated utility just hiked its dividend again — this time by 6.25%. With the raised dividend, the stock now offers a decent yield of roughly 3.7%.

### Fortis's growth continues

Fortis's growth doesn't stop here. The utility has about \$14.5 billion of investments planned for 2018 through 2022, which management anticipates will allow the company to increase its dividend at an average annual rate of 6% per year.

Other than the capital program, Fortis will also grow organically with its existing utilities. This year, Fortis's rate base has been about \$25.4 billion, and the company aims to grow its rate base to about \$32 billion by 2022.



### A stable business

Fortis is in the regulated gas and electric utility space and is one of the most stable and predictable businesses investors can get their hands on.

It is one of the top 15 North American utilities, and due to its largely regulated operations, its earnings are stable and predictable.

Because there's little uncertainty in its business, Fortis is considered a low-risk investment. Moreover, its operations are diversified. It has 10 utility operations across Canada, the United States, and the Caribbean, which serve 3.2 million electric or gas customers.

The US\$11.8 billion ITC Holdings acquisition, the largest Fortis has made yet, is integrating well into the business. ITC diversifies Fortis's portfolio by adding a new business as an independent electric transmission company, which is also regulated.

Fortis now generates about 60% of its earnings from the U.S. So, its earnings will benefit from a

stronger U.S. dollar against the Canadian dollar.

### Investor takeaway

People need to use electricity and gas no matter what the economy is doing. Fortis is also well positioned to benefit from the transition to cleaner electric generation, namely using natural gas and renewable power. Years down the road, you can bet that Fortis will be around to grow its dividend.

At about \$46 per share, Fortis trades at a price-to-earnings multiple of about 18.8, which is still within the fair-valuation range of the quality utility that tends to trade at a premium valuation. It is a great, stable long-term investment.

That said, investors looking for a bigger bang for their buck can consider the shares at about \$43 per share or lower. The Street consensus from **Thomson Reuters** has a 12-month target of \$49.50 per share on the stock, which represents potential upside of ~7.2%. Adding in the dividend yield, that's an estimated near-term return of ~12%.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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