



Which of These Dividend Stocks Is a Better Long-Term Hold?

Description

Although past performance cannot predict the future, **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) looks to be a more solid dividend investment compared to **Genworth MI Canada Inc.** (TSX:MIC). What do these companies do? One provides electricity to homes and the other offers home mortgages.

It may seem odd that I am giving the nod to Fortis, even though Genworth pays a higher dividend and has a lower payout ratio. But Fortis has a better track record when it comes to revenues and operating margins. This means that Fortis will have an easier time generating cash in the future, and investors will be rewarded both by stock and dividend increases. Here's more on each company.

More on Genworth

Don't get me wrong. I like Genworth's business. Selling insurance on home mortgages is lucrative. Being [tied](#) to the house market, however, is why this company's stock price moves around a lot. Genworth has a beta value of 1.95, which means this stock tends to move up and down almost twice as much as an average stock. For instance, the average within-day price swing is almost 2%; some investors may not enjoy that level of turbulence.

Barring disaster, the stock is on pace for one of its best years yet, up ~28% year to date. One of the reasons the stock has done so well is four consecutive quarters of beating earnings estimates.

There are positive macroeconomic factors as well. National average home sale prices in Canada were up 5% year over year in October (according to the Canadian Real Estate Association). In the November quarterly statement, Genworth reported earnings of \$170 million from insurance payments (up 5%). Another positive sign was the drop in the "loss ratio," which is an insurance term to describe the amount of money paid out in the form of claims.

If this stock price cools off and drops to around \$40 per share, then it would be a great point to start investing in this solid business.

Fortis on top

Genworth may seem a tough act to follow. But Fortis is a \$19 billion utilities company, primarily electricity, with a [robust](#) business and wide moat. Management is doing a lot to help keep Fortis as a leading utility business.

In September, Hurricane Irma damaged some Fortis infrastructure, but this was apparently rectified quickly.

Furthermore, electricity services to three Caribbean islands is only a component of this largely North American business. The UNS Energy division, servicing the state of Arizona, has been a win for Fortis.

Here are some Fortis highlights. First, it's keeping debt in check; the company is growing without increasing long-term debt levels. Second, revenue has increased ~8% per year since 2008. This helps to explain why net income continues to increase at double-digit percentages. Third, earnings and margins have each increased on almost every year-over-year comparison going back 10 years. Lastly, the dividend tends to increase by about 5% per year. This may not sound like a lot, but the magic of compound interest is on your side.

In this head-to-head comparison of Fortis and Genworth, Fortis had a better track record on five out of eight measures of sustained dividend growth.

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