

Consider Fortis Inc. for Long-Term, Stable Income

Description

[Utility investments](#) offer what nearly every investor wants — a stable, recurring revenue stream, long-term growth prospects, a growing dividend, and a sizable moat around the business that's backed up by solid results.

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) fits that definition perfectly.

Stable, recurring revenue stream

Utilities have a secret that just about everyone knows, but one that most investors dismiss when weighing in on whether to invest.

Most of the revenue from utilities comes from regulated contracts that in many cases can span two or more decades. In other words, as long as the utility keeps the lights on or the water or gas running, the utility can expect payment.

Another often-overlooked point is the necessity of utilities. We all need to power our homes, and so Fortis can provide that power to us. We can't choose whether to buy our electricity, we just do.

Long-term growth prospects

One of the often-mentioned criticisms of utilities is that they lack any type of real growth options. Part of the reason for that stereotype is the prevailing belief that due with the regulated rates and the impressive dividends that utilities offer, there are few funds remaining to allocate towards growth.

This could not be further from the truth.

Fortis is one of the 15 largest utilities on the continent, and a large part of that distinction is due to several impressive acquisitions throughout the years that have provided Fortis with the opportunity to not only realize growth, but also to expand into new markets.

A prime example of this remains Fortis' largest acquisition to date, the 2016 deal for ITC Holdings Corp. Fortis emerged from that deal with clients in several new U.S. states markets as well as a sizeable power distribution network.

More important, the ITC deal provided a boost to Fortis' results and dividend growth that is expected to continue for several more years.

A growing dividend

Fortis offers investors a quarterly dividend that provides a healthy 3.90% yield. As impressive as that sounds, the real value comes in the form of dividend growth over time. Fortis is one of just a few companies on the market that has an established record of rewarding shareholders with annual hikes

to its dividend.

Fortis is now well into the fourth decade of consecutive annual increases to its dividend — a that trend that looks likely to continue for the next few years as Fortis continues to reap the benefits of the ITC deal.

Is Fortis a sound investment?

Some people view Fortis as a tad expensive at its current levels. The current P/E comes in at 17.48, and the stock price is trading midway from its 52-week low and highs, which is reflective of a recent pullback in the stock that has dropped over 5% year-to-date.

The current pullback provides an opportunity to buy Fortis at a discounted rate. Fortis has a solid business model, a safe and secure dividend, and a growing customer base thanks to its incredible appetite for expansion. Those all demand a premium, and utility investments such as Fortis will provide rewards for [long-term investors](#).

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