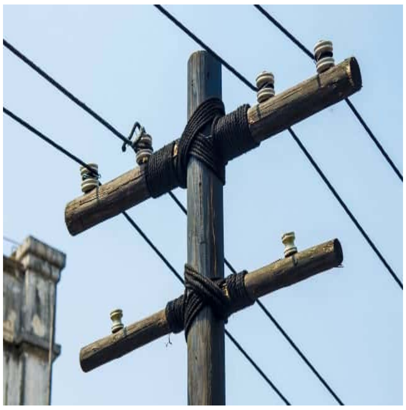

Fortis Inc.: A Top-Quality Canadian Dividend Stock to Start Your RRSP

Description

Saving for retirement requires strategic planning, discipline, and patience, especially when choosing stocks for a self-directed RRSP.

Let's take a look at **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why it might be an interesting pick today.

Earnings

Fortis owns natural gas distribution, electric transmission, and power generation assets in Canada, the United States, and the Caribbean.

The company reported steady Q1 2018 adjusted net income of $293 million, or $0.69 per share, compared to $0.71 per share for the same period last year.

Growth

Fortis has grown over the years through a combination of organic projects and strategic acquisitions. Most of the recent investment has focused on the United States, including the US$4.5 billion purchase of UNS Energy Inc. in 2014 and the US$11.3 billion takeover of ITC holdings in 2016.

As a result of these deals, roughly 60% of the company's business is now located in the U.S., providing investors with a great way to get exposure south of the border through a Canadian company.

Looking ahead, Fortis has a five-year $15.1 billion capital program in place that should increase the rate base to $33 billion by 2022, representing a compound annual growth rate of 5.4%.

The company also has its eye on additional organic growth opportunities, including the ITC Lake Erie Connector Project, gas infrastructure expansion at FortisBC, and renewable energy investments, including a storage project in Arizona.

Dividends

Fortis gets most of its revenue from regulated assets, which is appealing for dividend investors, as the cash flow tends to be predictable and reliable.

Management says the rate-base growth should support annual dividend increases of at least 6% through 2022. The company has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance.

At the time of writing, the stock provides a yield of 4%.

Risks

Rising interest rates have some investors concerned that money could flow out of go-to dividend stocks and into fixed-income alternatives. Higher rates also increase borrowing costs and can put a pinch on cash available for distributions.

The concerns are valid, but the pullback in Fortis from $48 per share in November to the current price of $42 might be overdone.

Returns

Long-term investors have done well with this stock. A $10,000 investment in Fortis 20 years ago would be worth more than $75,000 today with the dividends reinvested.

Should you buy?

Fortis is a proven buy-and-hold dividend-growth stock that won't keep you up at night. If you have some cash sitting on the sidelines and are looking for a top-quality name to start your RRSP savings fund, Fortis deserves to be on your radar.

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