



Buy, Forget, and Get Rich With Fortis Inc. (TSX:FTS)

Description

Utility stocks such as **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) remain some of the most lucrative, yet misunderstood investments on the market. There is no other segment of the economy that can offer such a stable and recurring source of revenue, and that can provide investors with an appetizing dividend.

As intriguing as that may sound, many investors avoid utility investments, claiming that they are boring or lack significant growth prospects. More recently, the reasons to avoid utilities tend to circle around the current climate of rising interest rates.

In the case of Fortis, the company earns 90% or more of its revenue through regulated agreements known as power-purchase agreements (PPAs). PPAs stipulate how much of the utility is to be provided and for how long. Typically, those contracts can span two decades or even longer, which is a major plus for income-seeking, long-term investors.

So, what specifically makes Fortis an intriguing — not a boring — investment?

Fortis is well diversified and growing

Fortis is one the 15 largest utilities on the continent, with over \$49 billion in assets with operations throughout Canada, the U.S., and the Caribbean. That impressive portfolio boasts over three million customers and is thanks to a very aggressive stance towards growth by acquisition.

Growth, or, more specifically, lack of growth, is one major criticism that is often mentioned with respect to utilities. Fortis's storied history of acquisitions shoots down that claim and provides ample opportunities for growth.

Fortis's most recent major acquisition was the 2016 acquisition of ITC Holdings Corp. in a mammoth US\$11.3 billion deal. The deal not only allowed Fortis to expand to several new U.S. state markets but also served to expand Fortis's impressive network of transmission lines with ITCs in a complementary fashion.

The ITC deal followed the 2014 acquisition for UNS Energy, which was valued at US\$4.5 billion, and Fortis has realized earnings bumps following each acquisition. More importantly for investors, however, is the fact that Fortis now has more assets within the U.S. market than it does in Canada.

Looking ahead to the future, Fortis continues to target additional acquisitions across [renewable energy](#) solutions and infrastructure investments.

Fortis offers an impressive and growing dividend

Fortis is one of a handful of companies on the market today with a record of annual, consecutive dividend increases that spans back over four decades. Even more impressive is the fact that Fortis intends to continue that trend, with annual growth of the dividend forecasted to continue through 2022.

Currently, the stock provides a quarterly payout with an impressive 4.10% yield, which solidifies the company as a great long-term income stock.

Fortis is an interesting pick for an uncertain time

With interest rates on the rise, many investors have begun to shy away from investing in utilities, citing the large debts that they typically carry, and how that increased cost may get passed on in the form of a reduced dividend.

That fear has, so far, led to Fortis's stock dropping over 7% year to date and as much as 11% earlier this spring.

In terms of results, in the most recent quarter, Fortis reported net earnings of \$293 million, or \$0.69 per share, which was relatively unchanged over the \$287 million, or \$0.71 per share, reported in the same quarter last year.

Irrespective of whether interest rates continue to increase, Fortis represents an intriguing investment option for those investors looking for [both long-term income and growth](#) prospects.

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