# Fortis Inc. (TSX:FTS) Stock Is a Must-Own in This Choppy Market

## Description

**Fortis** (TSX:FTS)(NYSE:FTS) stock rose 0.44% on November 12. Shares have climbed 10.2% month-over-month in the face of one of the most turbulent periods in recent memory. The St. John's-based utility holding company has been a terrific hold in these choppy conditions, and there are good reasons to keep holding on into 2019 and beyond.



Back in June I'd recommended that investors consider stacking Fortis after it dropped to the $40 range. Utility stocks have struggled broadly in 2018, with rising rates putting the squeeze on steady, income-yielding equities. However, Fortis has been consistently robust and has a long, successful track record.

Fortis was my top stock pick for the month of October. On October 15, Fortis hiked its annual dividend by 5.9% while also setting a 6% annual dividend-growth target through 2023. Fortis has now delivered 45 consecutive years of dividend growth. The stock now offers a quarterly dividend of $0.45 per share, representing a 3.9% yield.

The company released its third-quarter results on November 2. Fortis reported net earnings of $276 million or $0.65 per share compared to $278 million, or $0.66 per share in the prior year. On a year-to-date basis, net earnings have climbed to $839 million or $1.98 per share compared to $829 million, or $2.00 per share in 2017.

Fortis was the beneficiary of favourable electricity sales at UNS Energy in the quarter in addition to weather that boosted revenues. Earnings also received a boost from favourable foreign exchange and capital investment at ITC.

There is good reason for optimism as we look at Fortis' growth strategy. Its capital investments are concentrated in regulated electric and gas utility businesses in North America. These are low-risk projects that support its rate base expansion going forward. Fortis has reported consolidated capital expenditures of $2.3 billion in the first nine months of 2018, and the company expects to rack up a total of $3.2 billion in total capital investment in 2018.

Fortis has put forth a five-year capital expenditure program that is expected to reach $17.3 billion from 2019 through 2023. This is up $2.8 billion from the plan outlined in the prior year. Fortis projects that its consolidated rate base will increase to $32 billion in 2021 compared to $26.1 billion in 2018. The company further forecasts that this will grow to $35.5 billion in 2023. This would represent a five-year compound annual growth rate (CAGR) of 6.3%.

The TSX fell 118 points on November 12. The Index is now down 6.5% in 2018 so far and 2.6% year over year. Investors should be on the hunt for discounts, but they should also be mindful of the risks in a market that has thrived in large part due to historically low interest rates and easy monetary policy. Fortis offers a wide economic moat and over 40 years of dividend-growth.

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aocallaghan