A Top Stock to Buy in 2019 to Boost Your Dividend Income

Description

Income investors have a clear goal when comes to investing in stocks: they stick with their quality stocks without worrying too much about the daily market gyrations.

Unfortunately, 2019 is shaping up to be the year when income investors will be tested time and time again as volatility will remain high, and it will be tough to remain patience.

In this environment, you have two options. One is to stay on the sidelines with your cash in the bank, and the second is to find quality defensive stocks that have the history of outperforming the market when volatility is high.

Keeping this theme in mind, I have picked St. John's-based **Fortis Inc.** (TSX:FTS)(NYSE:FTS) due to the company's solid history of beating the market during the times of distress. Let's take a deeper look.

Fortis' stock performance

Fortis is one of the 15 largest utilities in North America, with over $49 billion in assets. The utility has a well-diversified asset base, operating in the U.S., Canada, and the Caribbean.

Fortis provides electricity and gas to 3.2 million customers. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

During the past quarter, when highly cyclical growth stocks tumbled in both U.S. and Canada, Fortis stock not only survived that selling pressure, but also rose 11%, thereby beating the broader market.

That price action shows that Fortis is a top stock to buy when investors see uncertainty and want to preserve their cash.

Fortis growth advantage

Fortis isn't only a reliable dividend-paying stock, but it's also on a good growth trajectory. The company's growth accelerated after its 2016 acquisition of ITC Holdings Corp. in a US$11.3 billion deal. The deal not only allowed Fortis to expand to several new U.S. state markets, but also helped the utility to expand its network of transmission lines.

Going forward, the utility is pursuing a $14.5 billion capital spending plan for the next five years. That plan is composed mostly of a diversified mix of low-risk projects and is fully funded through debt raised at the utilities, cash from operations, and common equity from the company's dividend reinvestment plan.

The company projected that its consolidated rate base is projected to increase from $26.1-billion in 2018 to approximately $32-billion in 2021 and $35.5-billion in 2023. That translates into a three- and five-year compound annual growth rate of 7.1% and 6.3%, respectively.

The company's third-quarter adjusted net earnings rose to $0.65 per share compared to $0.61 per share for the same period in 2017.

Due to steady growth in its earnings, Fortis' annual dividend has increased for 44 consecutive years. The company, which currently yields 3.89%, aims to continue raising its dividend at an average annual rate of about 6% through 2023.

Bottom line

Trading at $45.95 at the time of writing, Fortis stock is trading close to the 52-week high of $47.36. After this impressive rally, there is not much for further capital appreciation in the short-run. But if the Bank of Canada stops its rate-hiking cycle and moves to the sideline, it will be a very positive signal for this utility stock.

But if you're a long-term buy-and-hold investor, including Fortis stock in your portfolio makes sense, especially when the company plans to hike dividend and has enough cash to pursue that strategy.

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