Why Fortis Inc (TSX:FTS) Is Much More Than Just a Great Dividend Stock

Description

Fortis (TSX:FTS)(NYSE:FTS) is known for being a safe utility stock with a good dividend that's suitable for cautious investors. However, the stock is unlike many dividend stocks in that it has achieved significant growth over the years, and it plans to continue to do so for the foreseeable future.

In the trailing 12 months, the utility provider's sales have reached $8.3 billion with profits of over $1 billion. If we go back to 2014, its top line was just over $4 billion, while profits were only $410 million. That's tremendous growth for a company that doesn't put investors at any real risk. It's no surprise then that the stock has risen by more than 50% since 2014 and why it could still grow even more.

At a price-to-book ratio of just 1.4 and a price-to-earnings multiple of only 20, it's a pretty modest price for a stock that has been able to build up its market share over the years in many parts of North America.

More growth ahead

As impressive as Fortis's numbers have been thus far, they could get even stronger in future quarters and years. Back in October, the company announced it was significantly increasing its capital spending over the next five years. Up $2.8 billion from the prior year, Fortis plans to spend $17.3 billion in capital over the next five years.

A few areas that CEO Barry Perry noted that the company would focus on with its investment dollars: providing cleaner energy, increasing capacity, and improving safety at its locations. The U.S. Midwest, Arizona, British Columbia, and Ontario were identified as locations where the company planned to make key investments.

Asset sale to help fund future growth

One way that Fortis plans to pay for such ambitious investments is by selling key assets. On Monday, the company made a big move in that regard when it announced that it would be selling the 51% stake it had in the Waneta expansion hydroelectric project for about $1 billion. In total, Fortis planned to generate up to $2 billion from the sale of its non-core assets. However, in Monday's news release, Perry indicated that there would not be any more asset sales relating to the capital investment plan, noting that "this transaction completes the asset sale funding component of our five-year capital-investment plan."

Should you buy Fortis stock today?

Fortis is releasing its annual results on February 15, and it could be a good opportunity for investors to buy before that happens. A good finish to the year could be what Fortis needs to send its stock soaring. In the past year, its stock has risen by just 6%, and there's definitely a lot more room for the share price rise given its growth prospects and how good of a value it is today. Especially as the markets start to show some hesitation, stocks like Fortis could start to be in demand, as they offer much more substance than those simply built off of hype.

Overall, Fortis is a great long-term buy, not only for its growing sales but its growing dividend as well.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/23
Date Created
2019/01/28
Author
djagielski