



## Is Fortis Inc (TSX:FTS) Stock Really a Top TFSA Pick?

### Description

How do you know if a stock is the right choice for your TFSA retirement fund?

The TSX Index is full of companies that might be good candidates for self-directed TFSA investors who are using the account to build savings for the golden years. Generally, the stocks are held for a long time and many experts recommend searching for companies that have strong track records of paying out rising [dividends](#).

This makes sense, as the distributions can be invested in new shares to take advantage of the power of compounding to grow the fund.

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is often touted as a top pick for buy-and-hold investors. Let's see if the utility deserves to be in your portfolio right now.

### Earnings

Fortis reported solid 2018 results. The company generated net earnings of \$1.1 billion, or \$2.59 per share, compared to \$963 million, or \$2.32 per share, in the previous year.

Growth came from both the regulated and non-regulated businesses and lower income tax expenses. Fortis gets the majority of its income from regulated assets, which is important for investors who are relying on steady cash flow streams to support dividend payments.

In addition, Fortis made two large acquisitions in the United States in recent years. The purchases of Arizona-based UNS Energy and Michigan-based ITC Holdings for US\$4.5 billion and US\$11.3 billion, respectively, made the U.S. the largest revenue base for the company's overall operations. Fortis also has businesses in Canada and the Caribbean. The integration of the large deals went well and lower taxes in the United States have helped profits.

A rising U.S. dollar against the loonie can also give the bottom line a boost. As such, Fortis provides investors with a good way to get U.S. exposure through a Canadian company.

## Investment

Fortis also grows through organic investments across its existing infrastructure. The current five-year capital program of \$17.3 billion is expected to increase the rate base from \$26.1 billion in 2018 to \$32 billion in 2021 and \$35.5 billion in 2023.

Additional opportunities exist, including the ITC Lake Erie Connector Project, gas infrastructure expansion at FortisBC Energy, and a renewable energy storage project at UNS Energy.

## Dividend growth

Management is targeting average annual dividend growth of 6% through 2023. That's pretty good guidance, and investors should feel confident that the company will deliver on the goals. Fortis has raised the payout every year for four-and-a-half decades.

The current quarterly payout of \$0.45 per share provides an annualized [yield](#) of 3.9%.

An investor who'd bought \$10,000 worth of the stock 20 years ago and reinvested the dividends in new shares would now have more than \$105,000.

## Should you buy?

Fortis appears to have all the qualities of a top pick for a TFSA retirement fund. There is no guarantee the stock will generate the same results over the next two decades, but Fortis should be an attractive buy-and-hold choice for a dividend-focused portfolio.

Other stocks are also worth considering today.

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