



Dividend Investors: Is Fortis Inc. (TSX:FTS) Stock a Buy Right Now?

Description

Retirees and other dividend investors are searching for top-quality stocks with growing payouts to own inside their [TFSA](#) portfolios.

The strategy makes sense, as the full value of distributions and capital gains that are generated inside the TFSA are yours to keep or invest in new shares. That's right, the tax authorities don't take a share of your profits.

Which stocks should you buy?

The best companies tend to have strong track records of dividend growth supported by stable revenue streams and rising cash flow. Ideally, they also have a sustainable competitive advantage in the markets they serve.

Let's take a look at **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) to see if it might be an interesting pick today.

Operations

Fortis is one of North America's top 15 utilities with power generation, natural gas distribution, gas storage, and electric transmission assets located in Canada, the United States, and the Caribbean. It's the largest investor-owned utility in Canada.

The company has grown through a combination of strategic acquisitions and organic developments. In 1987, Fortis had \$390 million in assets. Today, it owns \$53 billion in assets with three million customers.

In recent years the company has made some significant purchases, primarily in the United States. Fortis bought Arizona-based UNS Energy for US\$4.5 billion in 2015 and then acquired Michigan-based ITC Holdings for US\$11.3 billion two years later.

The current capital plan will see the company invest \$17.3 billion over the next five years. This is

expected to increase the rate base from \$26 billion in 2018 to \$32 billion by 2021 and then \$35.5 billion by 2023. In addition, management is evaluating other growth opportunities in the subsidiaries, including the ITC Lake Erie Connector Project, gas infrastructure expansion at FortisBC, and a renewable energy storage project at UNS Energy.

Fortis recently announced plans to sell its 51% stake in the Waneta Expansion Hydroelectric project in British Columbia. The \$1 billion in proceeds will be used to fund ongoing developments.

Dividends

Fortis has raised its dividend for 45 straight years — and the winning streak is expected to continue for some time. In fact, the development projects should boost cash flow enough to support average annual distribution hikes of 6% through 2023.

The current payout provides a [yield](#) of 3.7%.

Earnings

Adjusted net earnings for 2018 came in at \$1.06 billion, or \$2.51 per share, representing a gain of \$0.04 per share compared to the previous year.

Returns

A \$10,000 investment in Fortis 20 years ago would be worth more than \$110,000 today with the dividends reinvested.

Should you buy?

Fortis has proven to be a great pick for buy-and-hold dividend investors and the steady performance should continue. The stock isn't as cheap as it was a few months ago, but Fortis still deserves to be a top choice for a dividend portfolio.

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Date

2025/09/19

Date Created

2019/03/18

Author

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