



## Invest in Fortis Now — or Kick Yourself Later

### Description

In choosing the perfect dividend stock, investors must attention to at least three main factors; the company's dividend history, its current dividend yield and payout ratio, and its ability to keep earnings afloat to continue rewarding investors for years to come.

Of course, there are other factors to consider, such as the firm's valuation metrics, among other things. Let's turn our attention to a company I believe meets all these criteria to a reasonable degree: **Fortis Inc** ([TSX:FTS](#))([NYSE:FTS](#)).

### Dividend history and valuation

Fortis is currently on a streak of 45 years of uninterrupted dividend increases. Over the past 10 years, the regulated utilities company has increased its quarterly dividend payout by about 73%, which averages out to a 7.3% annual increase.

Fortis currently offers a 3.80% dividend yield as well as a conservative (by industry's standard) 66% payout ratio. Though Fortis' dividend growth rate has not been stellar recently, investors can be very confident that the firm will continue to return stable payouts for a long time.

At first glance, however, Fortis' valuation metrics don't seem particularly attractive. The firm is currently trading at 19.91 past and 18.27 future earnings. Further, Fortis' price-to-earnings growth figure — which currently stands at 4.5 — seems to indicate that Fortis might be overvalued.

This may not be as bad as it seems, however, as some of Fortis' main competitors show similarly inflated valuation metrics. Besides, it isn't surprising that such a dividend superstar would trade at a premium.

### Fortis' multi-billion dollar investment plan

Fortis is currently implementing a [major](#) growth prospect that should boost its profitability in the long run. This five-year \$17 billion dollar plan includes investments in system capacity, safety features, electrical grid improvements, cyber security and clean energy. All of these measures are aimed at

improving Fortis' margins. Clean energy is all the rage these days, and with good reason.

Cleaner sources of energy are more environmentally friendly and cost efficient. In August of last year, Fortis released one of its environmental reports in which its president and CEO Barry Perry said the following: "Delivering cleaner energy is a key strategic initiative for Fortis as we strive to meet the expectations of our customers and shareholders." Fortis plans to shift to lower carbon energy sources.

Fortis also plans to build new facilities, including a pump storage project in Arizona, an NGL terminal in British Columbia, and an energy transmission facility in Ontario. These measures should have a major impact on the firm's operating efficiency and profitability. According to the company, they will increase its rate base by a compound annual growth rate of 7.1% over five years.

## The bottom line

Regulated utilities benefit from stable and predictable earnings because the government allows them to operate as monopolies. Thus, Fortis — by virtue of the perks of the industry in which it operates — should continue posting stable and predictable profits.

However, the firm is also undergoing a growth project that will improve both its top and bottom line in the long-run. Fortis is more than capable of continuing its streak of 45 uninterrupted years of dividend increases. Investors seeking steady dividends had better pay close attention to Fortis — or miss a golden opportunity.

### CATEGORY

1. Dividend Stocks
2. Investing

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### Date

2025/08/27

### Date Created

2019/05/28

### Author

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