46 Consecutive Years of Dividend Increases! Why You Should Buy Fortis (TSX:FTS) Today

Description

There are a few companies that just stand up and say, “Buy me.” **Fortis** (TSX:FTS)(NYSE:FTS) is one of them. The company announced a fourth-quarter 2019 dividend increase of 6.1%, marking 46 consecutive years of increases.

Fortis is targeting an average annual dividend-growth target of 6% through 2024. With a beta of 0.05, this stock is the perfect counterfoil to a volatile market. Fortis is a major energy and utility player in North America with 10 operations in the United States, Canada, and the Caribbean, that clocked revenues of $8.4 billion in 2018 and assets of around $52 billion.

The revenue split up for Fortis is 82% from electric energy, 17% from gas and 1% from renewable energy. A major factor why the company can commit to 5-6% dividend growth annually is because Fortis makes most of its revenues from regulated assets.

It doesn’t matter if it’s the bulls or bears calling shots in the market, the cash flow for Fortis is predictable and assured. With a 3.3% dividend yield at present, 6% annualized growth until 2024 sounds pretty good.

LNG export contract with China

Fortis became the first Canadian company to have an LNG export contract with China. In the second-quarter earnings call, the company confirmed that it has entered a two-year supply agreement to export 53,000 tonnes of LNG to China per year.

On September 10, 2019, Fortis announced its five-year capital-investment plan of $18.3 billion for the period 2020 to 2024 — an increase of $1 billion from the prior year's plan. The plan outlays a whopping 99% of investments into regulated assets. Virtually all planned capital investments are occurring at its regulated utility businesses and consist mostly of a diversified mix of highly executable, low-risk projects.

Consolidated rate base is estimated to increase from $28 billion in 2019 to $34.5 billion in 2022 and $38.4 billion in 2024. This indicates a three-year and five-year compound annual growth rate of 7.2% and 6.5%, respectively.

As we had reported earlier this month, the company's earnings per share are also estimated to grow by 2.4% in 2019, 7.8% in 2020 and at an annual rate of 4.7% in the next five years. Fortis's forward price-to-earnings multiple is 20.06 and suggests it is slightly overvalued, but if the economy goes into a recession (as a lot of pundits claim it will), Fortis is a good hedge in your portfolio.

Fortis stock has gained over 31% in the last 12-month period, easily outperforming peers and broader indices. The stock is trading at $55.76, which is 37% above its 52-week low and 1.5% below its 52-week high. Analysts covering Fortis have a 12-month annual target price of $56.72. This shows Fortis shares are trading at a discount of 1.7% from its current price.

The verdict

Fortis is a great stock for those who are planning their retirement. If the market goes into a sudden downturn, expect Fortis to hold strong. The fall in its shares won't be as steep as other companies. Keep this point in mind: Fortis beat the broader indices in the last two recessions. There's no reason to believe that it won't do so a third time.

You want companies that are not volatile, that you can count on, and those that pay you a regular dividend. Fortis ticks all boxes. Fortis is a wine that gets finer with age.

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