1 Super Dividend Stock to Hold for Decades

Description

Last month, I'd discussed a few Dividend Aristocrats that looked like good fits for a retiree portfolio. Dividend-growth investing is attractive, especially for those already in retirement, as it provides a dependable stream of steadily increasing tax-efficient income. This is not just a good strategy for retirees, but for all investors. Today, I want to look at a dividend stock that stands tall on the TSX.

Fortis (TSX:FTS)(NYSE:FTS) is a St. John's-based electric utility holding company. Utility stocks have performed very well in 2019 and continue to look like good bets, as economic growth slows into the next decade. The Bank of Canada (BoC) has held off on dropping rates so far this year, but pressure is mounting to make a downward move after three rate cuts by the United States Federal Reserve in 2019. Odds are, we will see the BoC cut rates in the new year.

Shares of Fortis have climbed 19.4% in 2019 as of late-morning trading on November 8. The stock has dropped 6.6% over the past month. Let's look at Fortis's most recent quarterly report to see why its price has moved down.

Q3 earnings

The company released its third-quarter 2019 results on November 1. Adjusted net earnings came in at $287 million, or $0.66 per share, compared to $277 million, or $0.65 per share, in the prior year. Fortis reported rate-base growth at its regulated utilities, but earnings were weighed down by weather with lower rainfall in Belize and "the unfavourable impact of market-to-market accounting of natural gas derivatives at the Aitken Creek natural gas storage facility."

Fortis has bumped up its five-year capital plan by $1 billion from the prior year to $18.3 billion. It aims to increase its rate base from $28 billion in 2019 to $38.4 billion in 2024. This translates to a five-year compound annual growth rate (CAGR) of 6.5%. The company's aggressive capital-investment plan is one of the reasons it looks so attractive for dividend investors as we look ahead to the 2020s.

Elite dividend growth

The stock last paid out a quarterly dividend of $0.45 per share, representing a 3.6% yield. Fortis hiked its fourth-quarter 2019 dividend to $0.4775 per share. This 6.1% dividend increase marked 46 consecutive years of dividend growth at Fortis. Only **Canadian Utilities** has more consecutive years of dividend increases.

Canada does not currently boast a dividend king — a stock that has achieved at least 50 consecutive years of dividend growth — but Fortis is well on its way. Fortis expects its five-year capital plan and rate-base growth to support annual dividend growth of 6% through 2024.

Fortis stock in November

Fortis stock possesses a price-to-earnings ratio of 21 and a price-to-book value of 1.4 at the time of this writing. This means investors are paying a premium after its big jump in 2019, but they are acquiring an established dividend payer with a very proven track record.

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