



## Here's a Defensive Dividend Stock for Your Portfolio

### Description

There are increasing signs across the global economy that a correction of some sort is well overdue. In order to be prepared for when that market pullback finally occurs, investors should diversify their portfolios with one or more defensive stocks.

A perfect example of one such defensive stock is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

### Fortis is a defensive king

What exactly makes Fortis a great defensive pick? To answer that question, let's talk a bit about Fortis' utility business.

Fortis is one of the largest utilities in North America, with an enviable portfolio of facilities that serve over three million customers across five provinces, nine U.S. states and three Caribbean countries. Fortis has a whopping \$53 billion in assets which provided \$8.8 billion in revenue during 2019.

Utilities provide a necessary service to the communities that they serve. The terms of that service are stipulated in long-term contracts known as Power-Purchase Agreements (PPAs), which typically span a decade or longer in duration.

In short, for as long as the utility continues to provide the service, the utility will have a secure, steady and recurring revenue stream that continues irrespective of how the broader market fares.

One of the reasons why Fortis makes an excellent investment option is due to Fortis' aggressive stance to expansion. Utilities are often criticized for being passive when it comes to expansion in that there is little incentive to grow due to that recurring revenue stream.

In the case of Fortis, a series of acquisition opportunities over the years has allowed the company to consistently expand into new markets, which in turn has pushed earnings higher.

## How is Fortis doing?

Fortis announced results for the fourth quarter of fiscal 2019 earlier this month. The results were nothing short of stellar, once again highlighting the strength of Fortis as an investment.

In that quarter, Fortis posted earnings of \$346 million, or \$0.77 per common share, handily beating the \$261 million, or \$0.61 per common share reported in the same period last year. Much of that growth was attributed to rate base growth as well as a favourable adjustment to one of Fortis' subsidiary companies.

Those strong results also help in part to feed Fortis' stellar dividend. The company currently offers a quarterly payout that works out to a respectable 3.26% yield.

Adding to that appeal is the fact that Fortis has provided handsome annual bumps to that dividend for 46 consecutive years — a feat that few dividend stocks on the market today can match.

Turning to the future, Fortis has a multi-billion dollar capital growth plan in place that will shift the company closer to [renewable energy](#) while also making its existing network more efficient. The \$17 billion program will also fuel dividend growth, and Fortis is targeting 6% annual growth through 2024.

## Final thoughts

Every portfolio should have one or more defensive holdings, and Fortis is a great match for investors looking for that perfect defensive stock.

Factor in that growing and secure dividend and you have an excellent option that long-term investors can [buy and forget](#) about for a decade or more.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

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dafxentiou

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