Canadians: 1 Dividend Stock I'll Never Sell

Description

The **S&P/TSX Composite Index** rolled on to another record close on February 19. Markets appears to stumble in late January in the face of the COVID-19 outbreak and the subsequent oil prices retreat, but confidence has returned in North America. Spirits are high in the investing world, but a familiar adage may be creeping into the minds of some investors: be fearful when others are greedy.

Investors may be excused for taking profits in this market as many stocks have soared to a 52-week high. Today I want to look at one dividend stock that I'm not letting go of. In fact, this is a stock I'll be happy to cling to when the market turns choppy. Let me explain why.

Prepare for a coronation

I won't keep you guessing any longer. The stock I'm talking about is **Fortis** (TSX:FTS)(NYSE:FTS), the St. John's-based utility holding company. As far as dividend stocks are concerned, Fortis is in elite company.

In late 2019 I'd discussed some stocks that qualified as dividend aristocrats on the TSX. To qualify as a Dividend Aristocrat on the TSX a stock must have achieved at least five consecutive years of dividend growth. This differs from the **S&P 500** Dividend Aristocrat list, which requires at least 25 consecutive years of dividend growth.

After that, we have the dividend king. These are stocks that have achieved at least 50 consecutive years of dividend growth. The news is good for Canadians, as the Great White North is ready to welcome royalty. No, I'm not talking about Harry and Meghan. I'm talking about Fortis.

Fortis raised its quarterly dividend to $0.4775 per share last year, making it 47 consecutive years of dividend growth. The company is pushing forward on an $18.8 billion capital plan through 2024 which will dramatically boost its rate base.

This is expected to support annual dividend growth of approximately 6% through this period.Ultimately, Fortis will have won its crown and become the first Canadian dividend king.

The case for Fortis today

Shares of Fortis have already climbed 9.5% in 2020 as of close on February 19. The company released its fourth quarter and full-year results for 2019 on February 13.

Fortis reported annual net earnings of $1.65 billion, or $3.79 per common share, up from $1.1 billion or $2.59 per common share in 2018. It owed much of this year-over-year increase to rate base growth across its regulated utilities, as well as favourable foreign exchange.

Fortis forecasts that its five-year capital plan will increase its rate base to $34.5 billion in 2022 from $28 billion in 2019. By 2024, the end of the investment period, Fortis projects that its rate base will increase to $38.4 billion.

Utilities have bounced back nicely after global markets retreated to finish 2018. Central banks reversed course on their rate tightening path. Although the Bank of Canada has yet to cut the benchmark rate, it has all but assured that a rate hike is out of the question. At the same time, the United States Federal Reserve slashed rates three times in 2019.

The stock has climbed to another all-time high in early 2020, but Fortis still possesses a favourable price-to-earnings ratio of 15 and a price-to-book value of 1.6. Its annual dividend of $1.91, which is paid out quarterly, represents a 3.2% yield.

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