Fortis (TSX:FTS) Stock Is a Must-Own for Canadians

Description

It's been a rocky four months in the market this year, to say the least. Many companies have had its stock price slashed, but **Fortis** (TSX:FTS)(NYSE:FTS) has managed to remain flat in 2020 so far.

It's has been a volatile year for Fortis stock shareholders — no question there. At one point, the company had witnessed a drop of more than 25% in fewer than three weeks. Even with the volatility, Fortis stock has managed to outperform the Canadian market in 2020 so far.

The **S&P/TSX Composite Index** has dropped 15% year to date, while Fortis stock is down by just 1%.

About Fortis stock

Fortis has a well-known reputation of reliability and defensiveness, and for good reason. As many Canadians are now preparing for a potential reason, reliability and defensiveness are two characteristics investors should be looking for in their next stock purchase.

Defensive companies, such as Fortis stock, help balance out the higher-risk companies in an investor's portfolio. Canadian investors likely own many companies that expect to have stock prices slashed if we enter an official recession. An investment in Fortis stock will help offset potential losses that higher-risk companies could face.

At a market cap of just under $25 billion, the company is one of the largest utility providers in North America. Fortis controls more than $50 billion of utility assets in Canada, the U.S., and the Caribbean as well. A major selling point of the utility company is that most of its sales are regulated. This means that cash flow and earnings are relatively predictable and much less volatile than other industries. This is especially important today considering where our market could potentially be heading.

Fortis stock is recession-proof

Many companies and their employees are temporarily out of work for the time being, but not Fortis.

The company was rightfully been deemed essential, so all cylinders are firing for the utility leader.

Utility companies in general have historically outperformed the market during recessions. Looking back over a decade ago during the financial crisis, Fortis stock held up significantly stronger than the Canadian market.

Even though the company continues to drive revenue, as its services are essential, it's worth noting that with many businesses closed across the continent, revenue may still be impacted negatively. The company is set to report its quarterly earnings on May 6, in which we can expect to have an updated view on guidance.

Dividend yield

Fortis stock provides one of the most stable dividends you can find on the market. The modest yield of 3.6% may not be the highest available to investors today, but its track record is second to none.

Fortis boasts an incredible dividend-growth streak of more than 45 years. In addition to that, the company has already pledged to continue to increase its dividend by 6% annually for the next five years.

A $15,000 investment made today in Fortis would earn shareholders $540 per year in dividend income.

Foolish takeaway

Fortis stock is a great investment today for any Canadian, regardless if we're headed for a recession or not. But with a potential recession looming, Canadian investors should consider adding shares today if they don't already own a defensive stock in their portfolio.

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