



Here's a Solid Investment Your Portfolio Needs

Description

When market uncertainty abounds, investors tend to flock to more defensive investments. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a great example of a defensive investment, which is a worthy addition to nearly any portfolio. But Fortis isn't just another solid investment that you should consider during a downturn; Fortis can provide income and growth in any market.

Here's a look at why your portfolio *needs* Fortis, perhaps now more than ever.

Fortis is the solid investment option your portfolio needs

Let me start off by saying that Fortis is huge. The company is among the 15 largest utilities on the continent and boasts over \$57 billion in assets. Fortis has 10 different utility operations located in Canada, the U.S., and the Caribbean. Those operations are mostly regulated, providing a steady stream of revenue to the company. In fact, 99% of the company's earnings stem from regulated utilities.

How does that work? In short, Fortis negotiates long-term contracts known as power-purchase agreements (PPAs). The PPA stipulates how much power Fortis sells and at what rate. PPAs often span decades in duration, which effectively means that as long as Fortis keeps the power running, the company has a steady, recurring source of revenue.

This factor alone makes Fortis an incredibly solid investment option to consider during a downturn, but there are still other points to mention. Specifically, let's talk about expansion.

Utilities are typically stereotyped as lacking in growth. The argument often cited is that with a predictable and stable revenue stream, there is little need or financial muscle to pursue growth options. Fortunately, that stereotype doesn't apply to Fortis.

Fortis has completed a series of well-executed and increasingly larger acquisitions over the years. Those acquisitions have helped the company enter new markets as well as provide a source of growth for Fortis's dividend (more on that in a moment).

In terms of results, in the first fiscal of 2020, Fortis earned \$312 million, or \$0.67 per common share. By way of comparison, in the same quarter last year, Fortis earned \$311 million, or \$0.72 per share.

What about income?

Fortis provides investors with a solid and reliable quarterly dividend. The 3.49% yield currently on offer is not the [highest yield](#) in the market, but it is stable and growing. In fact, Fortis is one of a handful of companies that have provided annual upticks to its dividend going back decades. In the case of Fortis, the company has provided investors with a whopping 46 consecutive annual hikes.

Turning to the future, Fortis continues to forecast annual upticks of 6% through 2024. This makes the stock a great and solid investment option for income-seeking investors as well.

Final thoughts

No stock is without risk, and in times of uncertainty, we tend to gravitate back towards what we view as safer investments. Utilities such as Fortis are prime examples of this. That being said, don't take that to mean that you should only invest in Fortis during a downturn. Fortis is a solid investment option for long-term investors that should be [core to any portfolio](#), irrespective of any downturn.

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2. Energy Stocks
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