Fortis (TSX:FTS): This Stock Is a Dividend Rock Star!

Description

Fortis (TSX:FTS)(NYSE:FTS) may be one of Canada's most beloved Dividend Aristocrat/rock star stocks. Despite Fortis stock being listed on the **New York Stock Exchange**, 75% of its investor base is actually Canadian! The fact is, any Canadian who has invested in this stock over any period of time is likely a very happy shareholder.

Fortis: One of Canada's great dividend stocks

Fortis is one of Canada's best Dividend Aristocrat stocks. It has raised its dividend 47 consecutive years in a row. Say you bought the stock in the year 2000 and just tucked it away. Not only would you have a 587% capital gain, but you also would enjoy dividend payment growth of almost 300% in that period. In fact, your dividend payments would have completely covered the cost of your stock ($7.70/share if you bought in January 2000) in only 10 years. Did I mention that Fortis just declared a 5.8% dividend increase for its fourth quarter 2020 dividend payment?

The point is, Fortis is an incredibly solid, reliable stock for income-focused investors. While this stock may not experience the same growth rate (13.9% average annual returns since 2000) as in the first two decades of the 2000s, management recently affirmed a pretty attractive flight path forward.

An attractive five-year capital plan

On Wednesday, Fortis announced a new five-year capital outlook, including extended dividend guidance. It also announced that its current CEO Barry Perry will be retiring at the end of the year. Despite concerns that always arise from a leadership transition, Fortis's five-year outlook looks attractive for the stock.

It plans to invest $19.6 billion across its electric and gas utility segments. In return, Fortis believes it can increase its rate base from $30.2 billion in 2020 to $36.4 billion in 2023 and $40.3 billion in 2025. That is a three- and five-year compounded annual growth rate of 6.5% and 6%, respectively!

It expects dividends should rise in congruence with its rate base growth. A quarter of that capital investment will go into electric transmission infrastructure (which garners very stable revenues). Another 20% will go into its Arizona utility business, where it plans to green its power fleet and phase out coal power operations.

Its capital plan is expected to be funded from internal cash from operations, debt at the subsidiary level, and equity from its corporate dividend-reinvestment plan. This means limited stockholder dilution (i.e., no equity issuance), and the investments will not affect Fortis's corporate debt profile. Overall, investors can be assured that Fortis's rate base growth will translate into accretive shareholder returns for the foreseeable future.

Fortis stock: Enjoy 5-6% growth for five more years

During challenging economic times, Fortis is a great place to hide your money and get fairly rewarded for it. With Fortis you get a 3.6% dividend yield today. That dividend only consumes around 70% of Fortis's cash flows. Consequently, it can afford to fund its growth plan from excess cash flows. Fortis has a very safe business model, where 99% of its cash flows are regulated.

By owning Fortis stock, you get five years of stable, accretive, compounded annual growth of about 6%. All this combined, and investors stand to enjoy a very attractive, low-risk income/capital growth profile that can be locked in today!

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