Fortis (TSX:FTS) Stock: One of the Safest Dividend Stocks on the TSX

Description

Are you looking for a great dividend stock? If yes, you should consider **Fortis** (TSX:FTS)(NYSE:FTS) stock.

A reliable dividend stock you can count on

Fortis is arguably one of the most trusted dividend-paying stocks in the **TSX** history. As a public service, you expect it to be reliable because all business is tightly regulated by locked-in contracts and excessive access limits. Nonetheless, Fortis has accomplished over the years more than the typical utility.

Fortis stock is a Canadian Dividend All-Star. To qualify for a spot on the Dividend All-Star list, a company must increase its dividend payout for five consecutive years. The utility company raised its dividend during 46 consecutive years.

Fortis continues to focus on growth

Fortis is the largest utility provider in Canada, providing electricity to five Canadian provinces, nine U.S. states, and three Caribbean countries. The company made a profit of $274 million for the second quarter of 2020. Over 60% of its revenues are regulated and nearly 20% of its revenues come from residential customers. The remaining 18% comes from the commercial sector.

As winter approaches in North America, people will be using more electricity. Fortis has $4.8 billion in unused credit facilities.

Despite the pandemic or recession, the company is convinced that it will not slow down its growth plan.

Fortis remains well positioned to increase shareholder value through the execution of its investment plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities in its service territories and nearby.

Fortis spent $2 billion, or 47% of planned capital spending for 2020 in the first half of the year. The company's $18.8 billion five-year investment plan and dividend growth forecast remains unchanged.

The investment plan is expected to increase the rate base from $28 billion in 2019 to $34.5 billion by 2022 and $38.4 billion in 2019 by 2024, which will translate into three- and five-year compound annual growth rates of 7.2% and 6.5%, respectively.

Fortis stock is beating the market

Fortis has a strong track record and is well positioned to weather the ongoing pandemic. Its operations are efficient and it uses capital as few other companies do. There is no predictable reason why the company will not honor the commitments it has made.

Fortis stock has a very low beta 0.04, so it's much less volatile than the market and less risky. You can see why Fortis should outperform the market if it falls by the end of 2020.

With a five-year compound annual growth rate (CAGR) of 10%, Fortis stock has outperformed both the TSX and the **S&P/TSX Capped Utilities index**. This is in large part due to heavy investments in growth. Fortis has acquired properties across Canada, the United States, and the Caribbean; most recently, it signed Canada's first agreement to produce LNG (liquid natural gas) in China.

Fortis reported a strong second quarter regardless of Covid-19 headwinds. The company reported net earnings of $274 million, or $0.59 per common share in Q2 2020. Adjusted net earnings were $0.56 per common share, up from $0.54 in the same quarter last year.

Fortis stock has a dividend yield close to 4% and further dividend growth is expected sooner or later. Fortis expects long-term growth in the rate base to support continued earnings and dividend growth.

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