



Want to Invest in a Boring Utility?

Description

Utilities are often seen as boring investments. That belief is founded on the premise that a utility's fixed revenue stream has limitations on growth. While there is some truth to that myth, it doesn't necessarily apply to *all* utilities. In fact, investors that want a utility stock that debunks that boring utility stereotype should look at **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

How is Fortis *not* a boring utility?

Let's take a moment to mention how utilities operate. In short, utilities sell a service (the utility) that is provided for at fixed rates. Those rates are defined in long-term contracts known as power-purchase agreements (PPAs). Those contracts typically have very long durations, often spanning over a decade or two. In other words, as long as the utility keeps providing a service, it's generating income.

The revenue generated from those contracts is both recurring and steady, which is a key reason why investors flock to utilities. Unfortunately, this is where the boring utility stereotype is introduced. The argument among critics is that the steady and recurring revenue stream leaves little room for growth, particularly once dividends are paid. Other critics will note that PPAs leave little incentive for utilities to continue to expand in growth initiatives.

In the case of Fortis, this couldn't be further from the truth.

Fortis has used a series of well-planned and executed acquisitions to expand to new markets. That growth has solidified Fortis's position as one of the largest utilities on the continent. Today, the company has operations across the U.S., Canada, and the Caribbean. In total, Fortis boasts over \$56 billion in assets.

Fortis is a great income stock

That appetite for expansion is a key reason why Fortis can offer handsome annual upticks to its dividend. Speaking of dividends, Fortis is not just your average Dividend Aristocrat. The utility boasts a

whopping 47 consecutive years of annual dividend hikes. Fortis's yield on its quarterly dividend currently works out to a respectable 3.78%. In terms of a compound annual growth rate, Fortis is forecasting a solid 6% gain over the next five-year period.

Let the compounding potential of over four decades sink in for a moment. And don't forget, this is a reliable, stock with a [steady income stream](#). Yes, it may be a boring utility, but does that really matter in the context of what those gains could be?

If that isn't reason enough to consider an investment in the stock, there's another point worth mentioning. Back in September, Fortis announced an updated five-year capital plan that amounts to \$19.6 billion. Among the capital investments highlighted, the plan calls for upgrades to transmission lines and infrastructure as well as investments into cleaner energy. Fortis is also forecasting that it will reduce carbon emissions by 75% by 2035, with 2019 taken as a base year.

In short, Fortis is investing in its existing infrastructure as well as future growth initiatives.

Final thoughts

No investment is without risk, but Fortis is clearly one of the [safer stocks for investors](#) to consider. It may not have the glamour and intrigue of a hot new tech stock, but Fortis is a great investment. The company boasts an impressive record of dividend increases, continues to invest in growth, and has a plan to further integrate renewables into its facility mix.

In other words, buy this boring utility now and reap the rewards for decades.

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