



## Fortis (TSX:FTS) Stock: Get a 4% Dividend Yield

### Description

For some stability in this uncertain world of financial markets, investors can consider buying some **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) stock today. The defensive dividend stock has essentially gone sideways for more than a year. It now trades with a decently attractive dividend yield of close to 4%.

Specifically, it has traded largely between \$50 and \$54 per share since August 2019. So, at close to the bottom of that channel, at about \$51 and change per share, it's a good spot to consider picking up some shares.

### Fortis stock's dividends, upside, and returns

Analysts are also bullish on the utility stock. 14 analysts have an average 12-month price target of \$59.50 per share on the stock, suggesting 16% near-term upside potential. Throwing in the roughly 4% dividend, total returns of approximately 20% over the next year is entirely possible.

Longer term, the utility is growing by about 5-6% a year. So, you can expect returns of about 9-10% in the long run, coming from this growth and its dividends.

### Why Fortis is a defensive stock

Fortis is a regulated utility that generates highly stable earnings with stable growth. Its diversified electric and gas portfolio comprises 10 regulated utilities with 93% of transmission and distribution assets.

A testament to its high-quality earnings is its track record of 47 consecutive years of dividend increases. The solid stock also has below-average volatility. It has a very low recent beta of 0.05. In other words, theoretically, when the market rises or falls 1%, it should rise/fall only 0.05%.

Not surprisingly, Fortis is one of the top **TSX** dividend stocks that are trusted by retirees and income investors for its safe dividend and defensiveness.

## The dividend stock's growth outlook

Although Fortis's previous CEO Barry Perry retired in the new year, the growth outlook of the utility won't be much different. It'll be similar over the next five years versus the past five.

Specifically, it'll exhibit a rate base growth rate of about 6% and increase its dividend by about 6% per year. The growth will be supported by its 2021-2025 \$19.6 billion capital plan and organic growth.

## Valuation

For its [stability and solid dividend](#), Fortis stock tends to trade at a premium valuation. In the past 15 years or so, its normal valuation was about 19.6.

Its earnings held steady last year during the pandemic. Growth is expected to resume this year. As a result, the stock is attractively priced today. The relatively cheap valuation could lead to above-average returns of about 20% over the next year.

## The Foolish takeaway

Conservatively assuming a 15% return over the next year from current levels and a 9% return for the following four years, a \$10,000 investment in Fortis will transform to \$16,233 in five years for just over 10% per year. This is not bad at all for a low-volatility, defensive dividend stock.

Fortis's upcoming ex-dividend date will be sometime around mid-February. To receive the next quarterly dividend, make sure you own the stock before then.

A utility that I like better for the longer term is **Brookfield Infrastructure**. The dividend stock is fairly valued today and offers a yield of close to 4%. Interested investors can consider nibbling some shares today and buy more opportunistically over time.

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