



## Dividends, Growth, and Value: Get All 3 With This “Forever” Stock

### Description

One of the largest utility companies in Canada, **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) continues to be a top pick of mine. This is one of those “forever stocks” that long-term investor can buy and forget about for a few decades.

### Business model

Originally a small Newfoundland-based utility company, Fortis has grown over the years mainly via acquisition.

The company’s business is well diversified geographically. Specifically, in recent years, Fortis has ventured into the U.S. with a few well-positioned acquisitions. The company acquired some valuable electricity transmission and generation assets in the U.S. Midwest and around the country. Fortis is actually a coast-to-coast power company, with businesses all over North America.

These businesses are all essential, and the majority of the revenue the company earns is regulated. Accordingly, investors have a real visible line of sight to projecting future earnings growth. This helps the company forecast capital spending and dividend distribution needs which have increased over the years.

### Dividend yield (and growth) impressive

Fortis’ value proposition lies not only in the utility company’s ability to grow via acquisition, but also the company’s dividend yield. Currently, shares of Fortis generate a dividend yield around 3.8%, which is juicy when one thinks about where fixed income yields are at today.

Fortis is also one of a few companies in Canada that have increased their dividend for [nearly five decades](#). This is truly an impressive feat, and makes this stock an income investor’s dream.

As far as dividend investments go, Fortis is one of my top picks on the **TSX** today. Growth is just as

important as yield, so dividend investors would do well to keep this in mind.

## You pay for what you get

That said, the company's valuation has provided some investors with pause in recent years. A valuation multiple of around 23-times earnings isn't cheap for a utilities company, and there are other Canadian utility options trading at much lower multiples.

Fortis' stock price simply represents long-term stability and safety for investors worried about volatility. Thus, it appears investors seem willing to pay a premium for this defensiveness. I think this will be the case long-term, and Fortis will simply be one of those companies that one must pay a premium to own.

## Bottom line

Fortis is, in my opinion, best in class when it comes to Canadian utilities right now. The stable nature of the company's cash flows make this a forever stock that is worth the premium today. Additionally, the company's 3.8% dividend yield will continue to be raised over time. This means those seeking income from their holdings will have a nice stream a few years, or decades, from now.

### CATEGORY

1. Dividend Stocks
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### TICKERS GLOBAL

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