



A Must-Buy Defensive Stock

Description

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a frequently mentioned stock that investors, incredibly, still tend to pass on. Fortunately, there are plenty of reasons to consider adding this must-buy defensive stock to your portfolio.

What makes Fortis unique?

Fortis is one of the largest utilities on the continent, with facilities in Canada, the U.S., and the Caribbean. Those facilities operate out of 10 different regions on the continent, comprising a whopping \$56 billion in assets. The bulk of the operation is regulated, which provides a steady and recurring source of revenue.

If that weren't enough, worth noting is that Fortis's stable, recurring source of revenue is backed by long-term, regulated contracts that often span several decades in duration. In other words, as long as Fortis continues to meet the needs of its contracted communities, the company will earn a stable revenue stream.

Fortis is huge and provides [stable income-earning potential](#) to investors (more on that in a moment).

Let's talk results (and growth)

Fortis reported results for the first fiscal earlier this month. In that report, the company reported earnings of \$355 million, or \$0.76 per common share. On an adjusted basis, Fortis earned \$0.77 per common share, reflecting solid growth over the \$0.66 per share reported last year.

Much of that growth was attributed to rate base increases as well as higher earnings in Arizona at Tucson Electric Power.

One of the main criticisms of utility stocks is that they lack the ability or willingness to invest in growth initiatives. In the case of Fortis, this couldn't be further from the truth. The company has a multi-year,

multi-billion-dollar capital plan in place to upgrade and expand facilities. The plan also notes transitioning fossil fuel-burning facilities to renewable energy.

For fiscal 2021, Fortis has earmarked \$3.8 billion towards that capital plan. In the first quarter, that investment amounted to \$0.9 billion. Earlier this month, Fortis completed the construction of a 250 MW wind-powered project. The Oso Grande Wind Project generates power for 100,000 homes.

Again, this is a must-buy defensive stock for any portfolio, but there's still more to consider, like income!

Income-earning potential

One of the main reasons why some investors seek out Fortis is for the company's dividend. Fortis offers a quarterly dividend that currently works out to a respectable 3.68% yield. While that may not sound like the [highest yield on the market](#), it is stable and growing.

In terms of growth and stability, Fortis has provided investors with annual consecutive bumps to that dividend for well over four decades. The company is currently committed to an average 6% annual bump through 2025.

This point single-handedly makes Fortis a superb must-buy defensive stock for any portfolio.

By way of example, a \$25,000 investment in Fortis will earn \$920 in income during the first year. Not ready to use that income? Reinvesting it (and benefiting from that annual bump) will only drive your earnings potential higher over the long term.

Final thoughts: Your must-buy defensive stock

Fortis has something for almost every investor. The company caters to both growth- and income-seeking investors and is packaged as a must-buy defensive stock. In short, Fortis should be a core holding of any well-balanced portfolio. Buy it and hold it for decades of uninterrupted potential.

CATEGORY

1. Dividend Stocks
2. Investing

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