



3 Reasons to Buy Fortis Stock Now

Description

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a leading Canadian utility with \$56 billion in assets located in Canada, the United States, and the Caribbean.

Growth

Fortis has a long track record of delivering strong growth through acquisitions and organic projects. The company bought Arizona-based UNS Energy in 2014 for about US\$4.5 billion. Fortis then purchased Michigan-based ITC Holdings, a power transmission company, for US\$11.3 billion in 2016.

The integration of the UNS and ITC assets went well, and the businesses have performed as expected. With the Canadian dollar strengthening and borrowing costs near record lows, it wouldn't be a surprise to see Fortis do another deal south of the border in the next year or two.

Internal projects are also part of the growth story. Fortis is working through a \$19.6 billion five-year capital program. The company will invest \$3.8 billion this year. Fortis completed its Oso Grande Wind Project in May and is making good progress on other initiatives.

In total, Fortis expects the organic developments to boost the rate base from \$30.5 billion in 2020 to \$36.4 billion by 2023 and \$40.3 billion in 2025. Beyond the current portfolio, Fortis is evaluating opportunities across its electric transmission grid in the United States and looking at liquified natural gas (LNG) infrastructure in British Columbia.

Fortis recently entered an agreement with the Canada Infrastructure Bank to fund 40% of the \$1.7 billion Lake Erie Connector electric transmission project. All the permits are in place, and Fortis is working on concluding the transmission service agreements. Once that process is complete, the project should get added to the current capital program.

Dividends

Fortis has increased its dividend in each of the past 47 years. That's a great track record for income investors who hold the stock to supplement pension earnings or for investors who use the distributions to buy new shares and grow their portfolios.

Based on the existing outlook for rate-base growth, Fortis intends to raise the distribution by an average annual rate of 6% through 2025. At the time of writing, the stock trades for close to \$57 per share and provides a 3.5% dividend yield. The strong guidance is important for [dividend investors](#) and is one reason the stock tends to hold up well when the broader equity market goes through a correction.

Fortis gets the majority of its revenue from regulated assets. This means cash flow is predictable and reliable. People and businesses need to turn on the lights and keep their buildings warm or cool regardless of the state the economy.

Returns

Fortis is one of those stocks you can simply buy now and forget for decades. A \$10,000 investment in the stock just 25 years ago would be worth more than \$200,000 today with the dividends reinvested.

The bottom line on Fortis stock

Fortis is one of Canada's top dividend-growth stocks. The company continues to expand its operations and provides investors with great guidance on dividend increases. The share price is not as cheap as it was earlier this year, but Fortis stock still deserves to be a core holding for a buy-and-hold dividend portfolio. Retirees can buy the stock for an income-focused TFSA. Younger investors might want to put Fortis in their RRSP and use the dividends to acquire additional shares.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/14

Date Created

2021/06/17

Author

aswalker

default watermark

default watermark