



A Top Canadian Utility Stock to Own for Decades

Description

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is one of the [safest Canadian stocks](#) to invest in. Operating in the recession-proof utility industry, Fortis has delivered phenomenal returns over the long term. The company has paid a reliable and generous dividend for several decades. Also, when there is turmoil in financial markets, Fortis usually tends to outperform.

Strong net earnings in 2020

In fiscal 2020, net earnings attributable to common equity shareholders was \$1.2 billion, or \$2.60 per common share, compared to \$1.6 billion, or \$3.79 per common share, for 2019. The change in net earnings reflected significant one-time items, including a \$484 million gain on the disposition of Fortis's Waneta expansion project and a \$56 million year-over-year impact associated with a United States (U.S.) federal regulatory decision.

Well positioned in terms of liquidity

Notwithstanding these one-time items, earnings grew by \$94 million in fiscal 2020. Fortis also achieved adjusted net earnings of \$1.19 billion, or \$2.57 per common share, in fiscal 2020 compared to \$1.1 billion, or \$2.55 per common share, in fiscal 2019. Fortis appears well positioned in terms of liquidity due in part to a \$1.2 billion common equity offering and the \$1.0 billion sale of the Waneta expansion hydroelectric generating facility in 2019.

Executing a robust five-year capital plan

Together, these actions generated a [significant portion of the equity funding](#) required to execute Fortis's five-year capital plan and significantly strengthened the company's liquidity. At the end of fiscal 2020, total consolidated credit facilities were \$5.6 billion with \$4.3 billion unutilized. In 2020, Fortis also signed the BlackNorth initiative pledge, joining other senior leaders from public corporations to end systemic anti-Black racism.

Generous and immediate financial support

At the Fortis Community Matters project in May 2020, Fortis donated \$500,000 to 20 non-profit organizations to provide immediate financial support to frontline COVID-19 community response efforts in the company's headquarter province of Newfoundland and Labrador.

Best safety performance in the company's history

Safety of Fortis's employees appears crucial and in 2020, Fortis delivered the best safety performance in the company's history. Further, Fortis tracks the company's all-injury frequency rate (AIFR) as an indicator of safety performance, which represents the number of injuries for every 200,000 hours worked. Fortis's AIFR for 2020 was 1.09, an improvement of approximately 25% in comparison to the prior three-year average.

Focused and committed to safety

Achieving these results in such a challenging year is a testament to Fortis's focus and commitment to safety, especially since, historically, the company performs better than the industry average. Also, Fortis has a history of providing reliable service to customers. Fortis consistently remains in the top quartile relative to the company industry peers in terms of reliable energy delivery.

Low outage duration

The company also tracks electricity reliability using the average hours of interruption per customer. In fiscal 2020, Fortis's average outage duration was 1.9 hours, outperforming both Canadian and United States (U.S.) industry average outage durations.

Future outlook

Overall, Fortis appears to be a great stock to own for all retirees and millennials. The company has a strong historical track record and should provide reasonable returns over the next several decades. Also, Fortis pays a very reliable dividend, which has persisted through several recessions and financial panics.

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