



Why Fortis Stock Could Be the Stock Investors Are Ignoring (But Shouldn't)

Description

One of the most renowned [Dividend Aristocrats](#) on TSX, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) boasts of an unmatched track record of dividend increases. Utilities plays such as Fortis stock can prove to be excellent areas for parking your funds for years.

Here's why investors may be remiss to ignore Fortis right now.

Fortis stock: Low risk with excellent long-term dividend growth

One of the key reasons I've remained bullish on Fortis for a long time is the company's dividend. Sure, Fortis stock [currently yields](#) 3.5%. That's not shabby and certainly better than where bond yields are right now.

However, the real value Fortis stock provides is in the company's dividend growth. Over the past 47 years, Fortis has raised its dividend each and every year. The company plans on hitting the 50-year mark soon, raising the company's dividend by an average of 6% a year between now and then.

For those sticking around for three years, that's a forward yield of 4.2%. Compounded again and again, that yield starts to become very large over time. Those with growing income needs in retirement thus can gain a lot of ground by owning a stock like Fortis.

While Fortis does carry some risk of slower dividend growth over time (cash flow growth is becoming more difficult), until the party stops, Fortis remains a great long-term income holding.

An excellent defensive stock

Given the regulated nature of Fortis's cash flows, Fortis stock happens to be an excellent defensive play. Investors concerned about the balance sheet quality of other companies in their portfolio can certainly balance out some of this risk owning a regulated utilities player like Fortis.

The company's capital program of \$19.6 billion through 2025 is expected to boost the company's base rate by about \$10 billion. This should allow plenty of room for the aforementioned 6% annual dividend increases over time.

Indeed, from a defensive growth perspective, Fortis is a stock I really like. I think the company's track record of strategically adding capacity over time and investing in the core business makes this utilities player a great long-term investment.

Bottom line

Fortis stock has performed extremely well over the long run. Of note, this company's stock price has moved with less volatility than the overall market. Indeed, this is due in large part to the stability Fortis's dividend provides to this stock. If the company's stock price goes too low, income investors snap up shares immediately.

My view is that Fortis is reasonably valued right now. Compared to the overall valuation of the market, that's a great thing.

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Author

chrismacdonald

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