For Capital Protection: 1 Legacy Stock Is Better Than Fortis (TSX:FTS)

Description

Investors might have to move to safer assets, as the TSX is starting to show signs of a market pullback. The index remains in record territory in mid-September 2021, although it has dipped for three consecutive days already this month. **Fortis** (TSX:FTS)(NYSE:FTS) is typically the go-to investment of risk-averse Canadians when the market is declining.

However, the top-tier utility isn't the only defensive gem on the TSX. **North West Company** (TSX:NWC) could be the better alternative if you want capital protection and uninterrupted dividend payments. Fortis has bond-like features, while North West has a monopoly over the markets it serves.

Nearly 100% regulated utility assets

Fortis is a must-own stock because of its dividend-growth streak. The $27.5 billion electric and gas utility company has increased its dividends for 47 consecutive years. Because of its confidence that the long-term growth in rate base can support earnings and dividend growth, management plans to increase the payouts by 6% annually through 2025.

The dividend hike should be enough to convince investors to put their money on Fortis. While the utility business is boring, cash flows are secure. The operations are immune from economic downturns. Besides the diversified utility businesses, the assets are 99% regulated. Hence, the business model is low risk.

Fortis seldom experience wild swings. Even if the price dips, you have a cushion with the dividends. As of September 15, 2021, the utility stock trades at $58.43 per share. The year-to-date gain is 15.52%, while the trailing one-year price return is 10.33%. Currently, the dividend yield is 3.46%, with the payout ratio at 75.47%.

Don't expect much on capital gains, but you can be sure of rock-steady income streams, regardless of the market environment. Fortis has 10 utility companies under its wings and growing. Expansion is still ongoing, and its rate base should grow to $40.3 billion by 2025.

Superior total returns

North West Company is older than Fortis by 217 years. This $1.67 billion provider of everyday needs and other services dominates the markets in underserved rural communities and far-flung urban neighborhoods. The reach is from northern and western Canada to Alaska, the South Pacific, and the Caribbean.

The company boasts a rich enterprising legacy and has earned a reputation as a trusted community store, no less. While sales during the first half of 2021 declined due to the pandemic, North West's net earnings grew 10% to $82.7 million versus the same period last year.

This consumer-defensive stock trades at $34.54%, with a corresponding dividend yield of 4.27%. Like Fortis, expansion is an ongoing concern. Management's primary focus is to sustain and grow the business by expanding its range of essential products and services.

The promise to investors is to deliver sustainable, superior total returns. Furthermore, North West commits to downside risk management, disciplined capital allocation, optimization of cash flow, and, more importantly, dividend growth. The stock's total return in the last 31 years is 59,315.94% (22.89% CAGR).

Equal footing

Fortis and North West Company are on equal footing when it comes to capital protection. Moreover, the dividends are growing and sustainable. You have two excellent income providers you can own for decades. Move your money to either one, as the TSX's might correct at any time.

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Date
2025/08/25
Date Created
2021/09/19
Author
cliew