



1 Top TSX Utility Stock Beginners Should Buy and Hold Forever

Description

[Warren Buffett](#) famously said that investors should [buy the stocks of great companies and hold them forever](#). At the Motley Fool, we take Buffett's advice to heart and believe in the power of a long-term perspective when it comes to investing.

Although everyone likes to find a good value stock, sometimes it is better to buy the stock of a great company at an okay price as opposed to the stock of a mediocre company at a good discount. The stocks of businesses with sustainable, excellent performance make the best buy-and-hold stocks.

For this reason, new [Canadian investors](#) should focus on the stocks of companies with excellent fundamentals, understandable business models, essential products and services, a wide economic moat, solid financial ratios, and good management.

Fortis

My beginner stock pick today is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), which is arguably Canada's leading utilities company with an unbroken 48-year streak of consecutive dividend payouts and increases ([Dividend Aristocrats](#)).

FTS is an excellent long-term holding. It operates in a tightly regulated, monopolistic industry and thus faces little competition or disruption. This gives it a great operating margin of 26.61% and profit margin of 13.70% — excellent fundamentals for its sector.

FTS stock also has very low volatility, with a beta of just 0.12 compared to the market at one. This makes it a great defensive pick, especially during market corrections or a prolonged bear market.

Valuation

FTS is solid enough of a company that I would not worry about trying to time a good entry price. However, new investors should always be aware of some basic valuation metrics, so they can

understand how companies are valued and what influences their current share price.

Currently, FTS is extending gains since Monday and is currently trading at \$64.59, which is extremely near the 52-week high of \$65.13. In the current fiscal quarter, FTS's 52-week low is \$54.32.

FTS current has a market cap of \$27.53 billion. it has an enterprise value of \$52.9 billion with a enterprise value-to-EBITDA ratio of 13.23 — similar to sector peers.

For the past 12 months, the price-to-earnings ratio of FTS was 21.19, with a price-to-free cash flow ratio of -36.08, price-to-book ratio of 1.44, price-to-sales ratio of 2.99, and book value per share of approximately \$40.57.

FTS is currently covered by a total of 11 analysts. Of them, six have issued a “buy” rating, one has issued a “sell” rating, and four have issued a “hold” rating. This is generally a considered a bullish sign.

FTS has a Graham number of \$50.12 for the last 12 months, a measure of a stock's upper limit intrinsic value based on its earnings per share and book value per share. Generally, if the stock price is below the Graham number, it is considered to be undervalued and worth investing in.

Is it a buy?

Despite its current share price being more or less fairly valued, long-term investors should consider establishing a position if they have the capital. Over the next 10-20 years, your entry price won't matter as much if FTS continues its strong track record of growth and profitability. Consistently buying shares of FTS, especially if the market corrects, can be a great way to lock in a low cost basis.

CATEGORY

1. Investing
2. Stocks for Beginners

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1. Editor's Choice

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