Canadians: Why Fortis (TSX:FTS) Stock Is Worth Holding Forever

Description

The **S&P/TSX Composite Index** moved up 122 points on April 13. That same morning, the Bank of Canada (BoC) moved forward with a 50-basis-point rate increase. This brings the benchmark rate to 1%. Policymakers have been forced to commit to this aggressive strategy in response to soaring inflation.

In this environment, investors may want to seek out defensive stocks. **Fortis** (TSX:FTS)(NYSE:FTS) remains one of the most dependable Canadian stocks available right now. Today, I want to explore why this dividend stock is worth holding for the long haul.

This top utility has been on fire to start the year

Fortis is a St. John's-based utility holding company. Utilities were one of the top defensive stocks to target during the COVID-19 pandemic. Fortunately, this utility stock has still gained momentum to kick off the first quarter of 2022. Its shares have climbed 6.2% in the year-to-date period as of close on April 13. The stock has surged 16% from the previous year.

Historically low interest rates have driven many income-oriented investors away from bonds and other fixed-income vehicles and toward alternatives like utility equities. These stocks have been able to offer dependability, low volatility, and solid income over the long term. Unfortunately, the rate of inflation has outpaced even these dividend stocks in recent months.

How did Fortis's earnings look in 2021?

Investors can expect to see Fortis's first-quarter 2022 earnings on May 4. It delivered its final batch of 2021 results on February 11, 2022. Net earnings rose to $1.23 billion or $2.31 per common share — up from $1.20 billion, or $2.60 per common share, in 2020. The company took a hit due to the negative impact of foreign exchange. Fortis's fourth-quarter results also suffered a dip as a result of milder-than-expected weather and a decline in investment gains in Arizona.

Last week, I'd discussed why Fortis was perfect for RRSP investors. This utility stock currently offers a quarterly dividend of $0.535 per share. That represents a 3.3% yield. The company has achieved 47 consecutive years of dividend growth. This fantastic history of dividend growth is one of the key reasons to snatch up this stock for the long haul.

Here's why Fortis is well worth snatching up for the long term

Despite its middling earnings to close out 2021, there were many encouraging signs for Fortis going forward. Chief among them is its aggressive five-year capital plan. Its $20 billion five-year capital plan aims to grow its mid-year rate base from $31.1 billion in 2021 to a whopping $41.6 billion by 2026. This would represent a CAGR of 6% over the projected period.

This rate base increase should power Fortis's dividend-growth path going into the middle of this decade. In three more years, Fortis will have delivered annual dividend increases for 50 straight years. That will make Fortis the first Dividend King on the TSX!

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