Should You Buy Fortis Ahead of Earnings?

Description

Fortis (TSX:FTS)(NYSE:FTS) is a St. John's-based utility holding company. Its shares have climbed 4.5% in 2022 as of mid-morning trading on April 29. The company is set to release its first-quarter 2022 results before markets open on May 4. Today, I want to discuss whether this utility stock is worth snatching up ahead of its earnings release. Let's jump in.

Why Fortis has been a solid hold in this market

The **S&P/TSX Composite Index** was down 156 points at the time of this writing. North American and global markets have been hit hard by turbulence in the second half of April. Earlier this week, I'd discussed why investors should look to snatch up defensive dividend stocks in this environment. Fortis is an elite option as a utility stock that is on track to becoming a Dividend King by the middle of this decade.

Shares of Fortis have increased 3% over the past month. This illustrates its resilience in the face of market volatility. Investors can expect that to continue going forward.

How does the company look ahead of its first-quarter earnings release?

This top utility released its fourth-quarter and full-year 2021 results on February 11, 2022. It reported adjusted net earnings of $1.21 billion, or $2.59 per common share, in 2021 — up from $1.19 billion, or $2.57 per common share, in the previous year.

Investors who are hungry for exposure to renewables can also look to Fortis as a suitable alternative. The company is targeting a 75% reduction in carbon emissions by 2035 compared to its base year of 2019. It has already delivered very solid emissions reductions as at the end of the most recent fiscal year.

The company also released its outlook for the fiscal year 2022. It projected that it would finally move past the material impacts of the COVID-19 pandemic. Moreover importantly, it reaffirmed its $20 billion five-year capital plan. This drive is expected to increase its rate base from $31.1 billion in 2021 to $41.6 billion by 2026. This would represent a CAGR of 6% over the forecast period. Fortis projects that this will support annual dividend growth of 6% through 2025.

Should you buy Fortis today?

Shares of Fortis possesses a price-to-earnings ratio of 24 as of early afternoon trading on April 29. This puts the top dividend stock in favourable value territory compared to its industry peers.

Fortis last paid out a quarterly dividend of $0.535 per share. That represents a 3.3% yield. It has delivered 47 consecutive years of dividend growth. That means Fortis will have achieved 50 straight years of dividend increases if it hits its 2025 target. This will make the utility the first ever Dividend King on the TSX.

This dividend stock does not offer great value right now. However, I'm still looking to hold onto it in the face of broader market turbulence. Fortis is a stock you can trust for the long haul.

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