



1 Future Dividend King to Buy in This Bear Market

Description

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a St. John's-based utility holding company. Utilities offer an essential service, which makes companies like Fortis a strong target in the event of economic turmoil. Today, I want to discuss the company's impressive [dividend-growth](#) trajectory. Moreover, I'll look at why it is worth picking up in the middle of July. Let's jump in.

What is a Dividend King, and how do you buy one?

A term like *Dividend Aristocrat* has a different meaning in Canadian and United States markets. In Canada, a Dividend Aristocrat is a stock that has achieved dividend growth for at least five consecutive years. Meanwhile, in the U.S., a Dividend Aristocrat must have delivered at least a quarter century of annual dividend increases.

The most highly sought-after dividend stock in terms of annual income growth remains the Dividend King. A Dividend King has achieved at least 50 straight years of dividend growth. In the United States, top companies like **Coca-Cola**, **3M**, **Johnson & Johnson**, and others have hit this milestone. Meanwhile, there are no Canadian dividend stocks that have managed to reach the 50-year growth plateau. Fortunately, that is set to change before the end of this decade.

How has Fortis performed so far in 2022?

Investors can expect to see Fortis's next batch of earnings on July 28. This company released its first-quarter 2022 results on May 4. It reported adjusted net earnings of \$369 million, or \$0.78 per common share — up from \$360 million, or \$0.77 per common share, in the previous year. The company benefited from an earnings increase that came from its rate base growth. That growth will play a key role in supporting its dividend growth going forward.

Beyond that, the top utility declared a 2050 net-zero direct GHG emissions target. That has bolstered Fortis's aims to join in on the renewable energy craze going forward. It also provides a multi-decade cushion to achieve that lofty goal.

Overall, Fortis's first-quarter earnings release illustrated the stability of its utility business in the beginning of fiscal 2022. Better yet, the company has a promising future, as it has committed billions in forwarding its strategies.

Is Fortis destined to become a Dividend King?

In the first quarter of 2022, the company posted capital expenditures of \$1.0 billion. That means that its whopping \$4.0 billion annual capital plan is on track. This is part of its massive \$20 billion five-year capital plan. It aims to grow its rate base from \$31.1 billion in 2021 to \$41.6 billion in 2026. That would represent a CAGR of 6% over the forecast period.

This rate base increase is expected to support Fortis's annual dividend-growth target of 6% through 2025. It has already delivered 47 consecutive years of annual dividend hikes. That means Fortis is just three years away from acquiring that vaunted dividend crown.

Fortis currently offers a quarterly dividend of \$0.535 per share. That represents a 3.4% yield. Moreover, this future Dividend King also possesses a price-to-earnings ratio of 23. This puts Fortis in favourable value territory compared to its industry peers.

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