



## 3 Reasons to Buy Fortis (TSX:FTS) Now

### Description

Some investors, particularly those [new to investing](#), may be feeling the jitters right about now. The [market volatility](#) we've seen in 2022 has only increased, and there are increasing signs of a prolonged slowdown, or even a recession happening. To put it another way, there are plenty of reasons to buy a defensive stock at this juncture.

**Fortis (TSX:FTS)(NYSE:FTS)** is the stock to buy, and here are several compelling reasons why investors should buy the defensive gem right now.

### A defensive operation

Utilities like Fortis are incredibly defensive businesses. Unlike other businesses, which can be reduced or eliminated by tightening costs, you really can't eliminate your utility bill.

In the case of Fortis, the company is a behemoth. Fortis has 10 operating regions that are located across the U.S., Canada, and the Caribbean. Those operations include both generation and distribution elements, which are complementary to each other. Collectively, the company boasts over 3.4 million gas and electric customers.

In fact, Fortis is one of the largest utilities on the continent. The company generates a recurring and stable revenue stream that is backed by long-term regulatory contracts. Those contracts, which can span several decades in duration, allow Fortis to invest in growth initiatives and provide a handsome dividend.

In terms of results, in the most recent quarter, Fortis earned \$272 million, or \$0.57 per adjusted share. This reflects an uptick over the \$259 million, or \$0.55 per adjusted share, reported in the same period last year.

### An evolving business

Fortis's defensive business does raise some concerns from critics. The stereotype is that Fortis (and other utilities) lack the incentive and capacity to invest in growth initiatives. This unfounded view is based on the idea that after paying out a dividend, there's little left for growth.

This couldn't be further from the truth.

Fortis has taken an aggressive stance toward expansion. In fact, Fortis has completed several masterstroke acquisitions over the years, each one greatly expanding the company's footprint.

In recent years, that growth has shifted focus to Fortis's existing operations. The company is investing heavily in upgrading its existing facilities and transitioning over to renewables. Fortis has already seen its emissions drop 20% through 2021 when compared to 2019 levels. The company is also targeting to reduce emissions by 75% by 2035.

## **An income-earning investment**

Perhaps one of the most important reasons why investors continue to flock to Fortis is the company's dividend. Fortis offers investors a handsome quarterly dividend that provides a yield of 3.78%.

For prospective investors, a \$40,000 stake in Fortis will earn a first-year income of just over \$1,500. Investors that aren't ready to draw on that income can reinvest that income until needed, which will see that dividend payout grow very quickly over time.

Speaking of dividend growth, there's one more point to note about Fortis's dividend. The company has provided handsome annual upticks to that dividend for well over four decades. In fact, Fortis is just two years short of hitting 50 consecutive years of increases, which will make the company a Canadian Dividend King.

That consistency may be reason enough for some investors to jump on this defensive gem and buy Fortis now.

## **There are more reasons to buy Fortis now**

No investment is without risk, and no investor can say with absolute confidence where the market is going. That's why adding one or more defensive stocks like Fortis is so imperative to attaining a well-diversified long-term portfolio.

In my opinion, Fortis is a stellar buy-and-forget stock that should be part of every portfolio.

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