



Fortis Stock Is Defying the Market Slump (and Pays a Solid Dividend, Too)

Description

Forty-nine consecutive years of dividend increases is an incredible feat for a dividend-paying company. **Fortis** ([TSX:FTS](#)) achieved the milestone late last month following a 6% increase in its quarterly dividend payable on December 1, 2022. The Dividend Aristocrat will become the TSX's second Dividend King after **Canadian Utilities** if it announces another increase in 2023.

Despite the market slump of late, the \$24 billion diversified regulated electric and gas utility company has rewarded investors with a dividend hike. If you invest today, the share price is \$50.27, while the dividend yield is an attractive 4.44%. Moreover, the payout should be rock solid, even if the market downtrend continues in the fourth quarter (Q4) of 2022.

Totally defensive holding

Fortis is the go-to stock of [risk-averse investors](#) when the stock market is tumbling. The share price of this premium utility company in North America isn't immune from market headwinds, although the spike and dip won't be as wild as other stocks. The less price volatility of Fortis stems from its rate-regulated utilities.

Besides the well-diversified regulated portfolio, the substantially autonomous business model ensures financial strength. Also, since 99% of its utility assets (10 businesses) are virtually regulated, investors can expect stable and consistent dividend payments. Because of this inherent feature, Fortis is an ideal holding for Canadians who are [saving for retirement](#) or building a nest egg.

Driving sustainable dividend growth

As of 2021, Fortis's rate base stood at \$31.1 billion. However, with its \$20 billion five-year (2022 to 2026) capital plan, the rate base should increase by more than \$10 billion over the next five years. According to management, the low-risk capital plan is highly executable and will support an average annual rate base growth of approximately 6%.

The good news to current and would-be investors is the target 6% average annual dividend-growth guidance through 2025. Another thing going for Fortis is the long capex (capital expenditure) runway. In July 2022, the board of Midcontinent Independent System Operator, or MISO, approved the first tranche of projects associated with the long-range transmission plan.

The 18 projects, worth around US\$10 billion and spanning across the MISO Midwest sub-region, have total investments of approximately US\$10 billion. For Fortis-owned ITC, America's largest independent electricity transmission company, investments would reach between US\$1.4 billion and US\$1.8 billion through 2030.

Year-to-date earnings

In the first six months of 2022, net earnings increased 4.27% year over year to \$634 million. David Gerard Hutchens, president, chief executive officer, and director of Fortis, said, "We are in a strong position heading into the second half of the year to deliver on our growth and sustainability goals."

Hutchens assured investors that the local management teams of Fortis will continue to work with their customers and regulators to manage through this time of high inflation and energy prices. The company will likewise make investments needed to deliver a clean and resilient energy future.

No material impact on 2022 results

Currently, energy price volatility, global supply chain constraints, and rising inflation are potential concerns for Fortis. However, even if they continue to evolve, management doesn't expect them to have a material impact on its operations or financial results in 2022

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Date

2025/08/26

Date Created

2022/10/17

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