



## Fortis (TSX:FTS) Stock: Buy and Hold This Canadian Dividend Aristocrat Forever

### Description

The **S&P/TSX Composite Index** has been incredibly volatile this year. In recent history, I have considered **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) the best defensive stock on the **TSX**. When it comes to defensive investments, I strongly feel it comes second to no other on the stock market for several reasons.

Fortis is a company that owns and operates several high-quality electricity and natural gas utility businesses. The utility business is highly resilient regardless of the state of the broader economic environment. Noteworthy, FTS is a Canadian Dividend Aristocrat with a reliable dividend growth streak. Between predictable income and virtually guaranteed payouts, FTS can be a reliable stock to own.

With operations in Canada, the US, Central America, and the Caribbean, significant geographical diversification backs its cash flows. The \$23.4 billion [market capitalization](#) stock generates most of its revenue through highly rate-regulated and long-term contracted assets.

Despite its resilience, Fortis stock's price performance has been uncharacteristically hit hard this year. Let's quickly review this [dividend stock](#) to see why it might still be a worthwhile asset to buy and hold forever.

### Down by almost 25%

As of this writing, Fortis stock trades for \$49 per share. At current levels, it's down by almost 25% from its 52-week high. While the FTS stock price has seen much better days in recent months, the recent decline might not be too surprising for veteran investors.

Investors who prize its reputation as a highly defensive and reliable dividend stock are optimistic about their returns through the Canadian Dividend Aristocrat.

Many investors treat reliable dividend stocks like Fortis as bond proxies for high-yielding dividend income. As interest rates rise, the popularity of utility stocks goes down because bonds offer higher returns.

Higher interest rates also negatively impact businesses because borrowing costs go up, and interest rates reduce the present value of future cash flow and earnings. Higher interest rates mean future cash inflows have a lower present value, directly impacting stock prices.

## A Canadian Dividend Aristocrat

While many might consider falling share prices a negative sign, I consider it an opportunity to lock in high-yielding returns. Lower share prices have inflated Fortis stock's dividend yield. Currently, it pays its shareholders their dividends at a juicy 4.61% dividend yield.

Fortis stock also recently announced another dividend hike, extending its dividend growth streak to 49 years — just one away from becoming a Canadian Dividend King.

## Foolish takeaway

The company is highly indebted, and the high-interest rate environment makes that a pressure point for Fortis. However, Fortis is inherently a capital-intensive business, and its debt load is a result of its business model.

The company raised \$1.5 billion of debt earlier this year to secure lower rates, a move that has paid off considering the recent interest rate hikes. Fortis stock also uses derivatives to hedge this risk.

The company is constantly searching for ways to reduce its operational costs and become more cost- and energy-effective. Despite the recent pullback in its share prices, Fortis stock is too attractively priced to not consider adding it to your portfolio today.

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