



## This Dividend Stock Is a Safe Bet Regardless of Market Conditions

### Description

Many investors are looking to create a portfolio of recession-resistant stocks. No doubt, they are preparing for the chance that an economic downturn could impact the global economy in 2023. Typically, you need to identify companies that can generate stable cash flows across market cycles.

For example, stocks that are part of the utility sector are well poised to derive consistent gains for shareholders amid a recessionary environment. The demand for essential services, including electricity and water, is quite steady in good times and bad. Importantly, the rates charged to deliver utility services are generally regulated, resulting in consistent earnings.

Most utility stocks also offer investors a tasty dividend and increase the payouts over time. This combination of predictable earnings and rising dividends makes utility stocks an ideal bet for low-risk investors.

One such defensive stock [trading on the TSX](#) is **Fortis Inc** ([TSX:FTS](#)). Valued at a [market cap](#) of \$26.4 billion, Fortis is among the largest companies in Canada. Let's see why it makes sense to buy and hold FTS stock right now.

### Fortis is a Dividend Aristocrat

Fortis has increased its asset base from \$390 million in 1987 to \$64 billion in 2021. Its portfolio of companies includes 10 affiliate electric and gas operations that serve more than three million customers in North America.

Between 2023 and 2026, Fortis is expected to plow in \$22.3 billion in capital expenditures, which will increase its rate base growth from \$34 billion in 2022 to \$46.1 billion in 2023. The expansion of the company's low-risk rate base growth should support further dividend increases for Fortis.

The Canadian utility heavyweight has increased dividends each year for 49 consecutive years, showcasing the resiliency of its business model. Fortis now expects to increase dividends at an annual rate of 5% through 2027.

In the last two decades, Fortis has returned 821% in dividend-adjusted gains to investors, easily outpacing the broader indices in this period.

| COMPANY | RECENT PRICE | NUMBER OF SHARES | DIVIDEND | TOTAL PAYOUT | FREQUENCY |
|---------|--------------|------------------|----------|--------------|-----------|
| Fortis  | \$55.17      | 774              | \$2.26   | \$1,750      | Quarterly |

An investment of \$10,000 in FTS stock would have allowed investors to buy 774 shares of the company back in December 2002. The dividend payouts for 774 shares of FTS would have amounted to \$402.48 in the next 12 months, indicating a forward yield of 4%. Now, 774 shares of FTS would earn \$1,750 in annual dividends, increasing your effective yield to 17.5% in 20 years.

Despite its outsized gains, Fortis stock currently offers investors a forward yield of 4.1%.

## What next for the FTS stock price and investors?

The infrastructure investments for Fortis in the upcoming decade involve reliability and resiliency upgrades, including increased capacity. The utility has allocated \$7 billion towards a long-range transmission plan, while estimated transmission investments are forecast between \$1.4 billion and \$1.8 billion.

Fortis continues to expand its natural gas infrastructure and will spend \$1.2 billion to build a portfolio of renewable and storage investments as it transitions towards clean energy solutions.

Fortis is a well-diversified company with a low-risk growth profile and regulated cash flows. Equipped with a strong balance sheet and the largest CAPEX plan in its history, FTS stock should continue to generate consistent returns for long-term investors.

### CATEGORY

1. Dividend Stocks
2. Investing

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