



# Fortis Inc. (FTS)

Updated August 19<sup>th</sup>, 2025 by Kay Ng

## Key Metrics

Current Price:	\$50	5 Year Annual Expected Total Return:	7.6%	Market Cap:	\$25.3B
Fair Value Price:	\$48	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	08/19/25
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.0%	Dividend Payment Date:	09/01/25
Dividend Yield:	3.5%	5 Year Price Target	\$62	Years Of Dividend Growth:	51
Dividend Risk Score:	B	Sector:	Utilities	Rating:	Hold

## Overview & Current Events

Fortis is Canada's largest investor-owned utility business with operations in Canada, the United States, and the Caribbean. It is cross-listed in Toronto and New York. Fortis trades with a current after-tax yield of 3.0% (about 3.5% before the 15% withholding tax applied by the Canadian government). Unless otherwise noted, US\$ is used in this report. Fortis is virtually 100% regulated with ~82% regulated electric and ~17% regulated gas. As well, ~64% of its assets are in the U.S., ~33% in Canada, and ~3% in the Caribbean. About 93% of its assets are for transmission and distribution of electricity or gas, which provide essential services, leading to resilient earnings through the economic cycle.

Fortis reported Q2 2025 results on 08/01/25. For the quarter, it reported net earnings of CAD\$384 million, up 16% versus Q2 2024, while net earnings-per-share (EPS) came in at C\$0.76, up 13%.

The year-to-date results provide a bigger picture. Net earnings rose 12% to CAD\$883 million, while net EPS rose 10% to C\$1.76. Capital spending in the first half of the year was C\$2.9 billion, on track for the plan of C\$5.2 billion of capital investment for the year. Based on the latest earnings report, we raised our 2025 EPS estimate to \$2.51.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.52	\$1.78	\$2.02	\$1.89	\$1.92	\$2.02	\$2.04	\$2.08	\$2.30	\$2.28	<b>\$2.51</b>	<b>\$3.28</b>
DPS	\$1.09	\$1.15	\$1.25	\$1.33	\$1.38	\$1.44	\$1.64	\$1.67	\$1.69	\$1.74	<b>\$1.78</b>	<b>\$2.22</b>
Shares <sup>1</sup>	282	401	421	429	447	465	471	479	489	499	<b>503</b>	<b>536</b>

Fortis compounded its EPS at 5.0% and dividend per share at 6.1% per year from 2015 to 2024 as measured in CAD\$. Fortis released its five-year capital plan of C\$26 billion for 2025 to 2029. This figure suggests that the firm's mid-year rate base can increase at a 6.5% compounded annual growth rate, from C\$38.8 billion in 2024 to C\$53.0 billion in 2029. The company also maintained its dividend growth guidance of 4-6% through 2029. In a higher interest rate environment, we use 5.5% and 4.5% for our EPS and DPS estimates, respectively, through 2030.

The capital plan includes investing in areas such as a greener generation, improved grid, and a shift from fossil fuels to solar and wind generation. Importantly, this growth rate does not include the impact of acquisitions, which have historically been important for Fortis. Notably, the picture doesn't look as rosy from a US\$ perspective. In US\$, Fortis compounded its EPS and DPS at only 4.6% and 5.3% per year from 2015 to 2024, respectively.

Additionally, the utility tends to use equity offerings (including its dividend reinvestment plan) as a source of capital to pay down debt or make acquisitions, resulting in a steadily rising number of outstanding common shares. Our estimates account for a steady rise in the share count, also including future acquisitions. Fortis will grow its green investments steadily, as the regulated utility aims to reduce its carbon emissions 50% by 2030 and 75% by 2035 as compared to 2019.

<sup>1</sup> Share count is in millions.

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.8	28.1	40.6	21.2	19.9	20.0	21.7	21.7	18.8	18.0	20.0	19.0
Avg. Yld.	3.3%	3.1%	3.1%	2.9%	3.1%	3.5%	3.5%	3.6%	4.1%	4.2%	3.5%	3.6%

Fortis stock averaged a P/E of 22.8 from 2015-2024, but the average multiple drops to 20.8 when the 2017 outlier is taken out. We think a P/E of 19 is fair. Using our 2025 EPS estimate, Fortis trades at a price-to-earnings ratio of 20.0, which makes shares fairly valued. Fortis is currently trading with a dividend yield of 3.5% (excluding the withholding tax paid to the Canadian government). This North American utility offers a reliable dividend stream.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

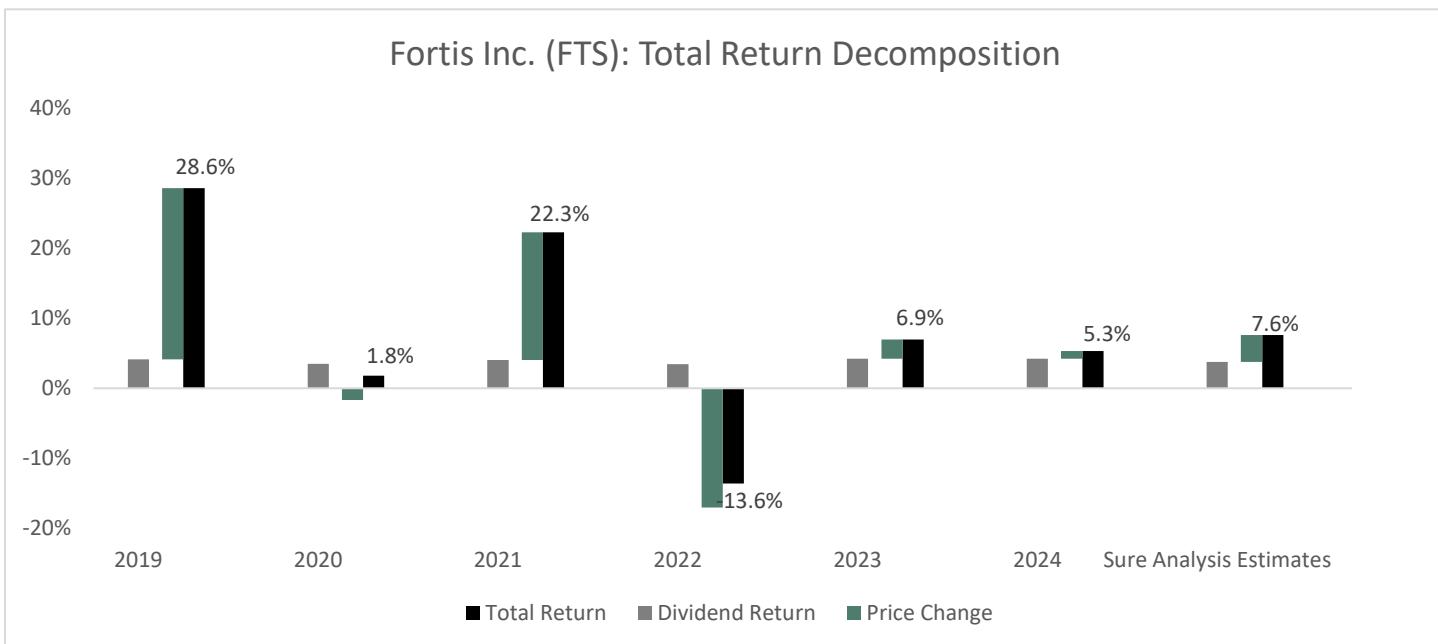
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	72%	65%	62%	70%	72%	71%	80%	80%	73%	76%	71%	68%

Because demand for Fortis's utility services doesn't change much in various economic environments, Fortis's results have been quite resilient through economic uncertainties, including the one we're experiencing in which inflation and interest rates are higher than recent history. Fortis maintains an investment-grade credit rating. Its S&P credit rating stands at A- currently. Fortis' payout ratio had been typically under 80% of earnings, with it set to come in around 72% in 2025. The dividend is important to management, and we believe it is safe and should continue to rise for years to come. Fortis' competitive advantages are its size, scale, and diversity. Fortis is unique because of its cross-border exposure. Its timely U.S. acquisitions of regulated utilities since 2013 have allowed Fortis to generate more than half of its revenues from the United States today.

## Final Thoughts & Recommendation

Fortis is a quality North American regulated utility that has a leading position. We currently estimate FTS will deliver a total rate of return of 7.6% through 2030. This will come from 5.5% earnings growth, a 3.5% yield, and multiple compression of 1.0%. We rate FTS stock as a hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	5,294	5,164	6,405	6,474	6,618	6,669	7,536	8,488	8,529	8,004
<b>Gross Profit</b>	3,264	3,396	4,583	4,549	4,719	4,757	5,182	5,450	5,737	5,449
<b>Gross Margin</b>	61.7%	65.8%	71.6%	70.3%	71.3%	71.3%	68.8%	64.2%	67.3%	68.1%
<b>D&amp;A Exp.</b>	684	742	910	959	1,017	1,066	1,200	1,282	1,313	1,340
<b>Operating Profit</b>	1,112	1,120	1,938	1,825	1,854	1,872	1,969	2,106	2,284	2,341
<b>Operating Margin</b>	21.0%	21.7%	30.2%	28.2%	28.0%	28.1%	26.1%	24.8%	26.8%	29.2%
<b>Net Profit</b>	631	498	793	900	1,297	951	1,032	1,071	1,165	1,169
<b>Net Margin</b>	11.9%	9.7%	12.4%	13.9%	19.6%	14.3%	13.7%	12.6%	13.7%	14.6%
<b>Free Cash Flow</b>	-447	-134	-207	-474	-796	-999	-382	-608	-462	-769
<b>Income Tax</b>	175	109	454	127	218	172	187	222	267	241

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	20,757	35,530	38,029	38,950	40,883	43,509	45,222	47,342	49,690	51,114
<b>Cash &amp; Equivalents</b>	174	200	260	244	283	195	103	154	471	153
<b>Accounts Receivable</b>	373	376	366	395	386	467	487	685	671	1,161
<b>Inventories</b>	243	276	292	292	302	331	375	487	427	477
<b>Goodwill &amp; Int.</b>	3,397	9,920	10,119	10,081	10,154	10,260	10,245	10,324	10,320	10,275
<b>Total Liabilities</b>	13,296	23,329	24,710	25,400	25,486	27,602	28,818	30,511	32,100	33,132
<b>Accounts Payable</b>	298	411	553	499	577	554	607	653	746	780
<b>Long-Term Debt</b>	8,456	16,527	17,231	17,727	17,380	19,212	20,064	21,121	22,350	21,718
<b>Shareholder's Equity</b>	5,808	9,623	10,640	10,947	12,944	13,390	13,855	14,299	14,990	15,431
<b>LTD/E Ratio</b>	1.19	1.53	1.44	1.46	1.23	1.31	1.33	1.36	1.38	1.41

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	2.9%	1.8%	2.2%	2.3%	3.3%	2.3%	2.3%	2.3%	2.4%	2.3%
<b>Return on Equity</b>	10.8%	6.5%	7.8%	8.3%	10.9%	7.2%	7.6%	7.6%	6.8%	7.2%
<b>ROIC</b>	3.8%	2.2%	2.7%	2.9%	4.1%	2.8%	2.9%	2.9%	3.0%	2.8%
<b>Shares Out.</b>	282	401	421	429	447	465	471	479	486	495
<b>Revenue/Share</b>	18.60	16.48	15.39	15.23	15.13	14.33	15.99	17.72	17.53	16.17
<b>FCF/Share</b>	-1.57	-0.43	-0.50	-1.11	-1.82	-2.15	-0.81	-1.27	-0.95	-1.98

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

## Disclaimer

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