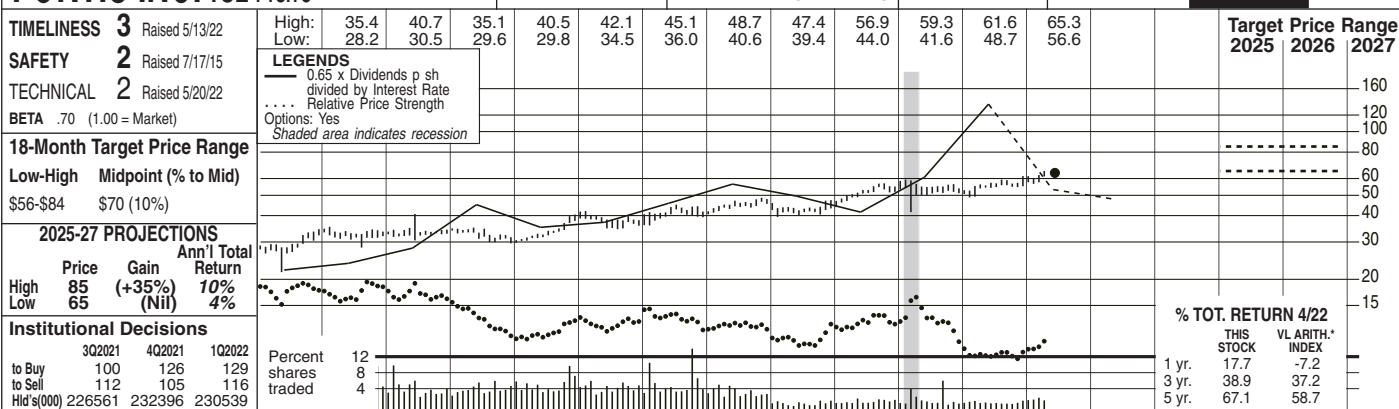


FORTIS INC. TSE-FTS.TO^A

RECENT PRICE **63.79** P/E RATIO **23.2** (Trailing: 24.6 Median: 20.0) RELATIVE P/E RATIO **1.39** DIV'D YLD **3.5%** VALUE LINE



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
14.14	17.48	23.07	21.24	21.01	19.84	19.07	18.99	19.57	23.89	17.03	19.71	19.58	18.96	19.14	19.90	21.60	21.90	Revenues per sh	23.50
3.05	2.96	3.51	3.66	3.99	3.90	4.10	4.10	3.62	5.21	3.91	5.43	5.40	5.44	5.65	5.76	6.15	6.40	"Cash Flow" per sh	7.50
1.36	1.29	1.52	1.51	1.62	1.74	1.65	1.63	1.38	2.11	1.89	2.66	2.52	2.68	2.60	2.61	2.75	2.90	Earnings per sh ^B	3.50
.67	.82	1.00	1.04	1.12	1.17	1.21	1.25	1.30	1.43	1.55	1.65	1.75	1.86	1.97	2.08	2.21	2.35	Div'd Decl'd per sh ^C	2.80
4.80	5.16	5.34	5.79	5.89	5.91	5.68	5.32	6.00	7.97	5.13	7.18	7.51	8.03	8.65	7.13	8.25	7.85	Cap'l Spending per sh	8.25
12.26	16.72	18.00	18.57	18.95	20.53	20.84	22.39	24.90	28.63	32.32	31.77	34.80	36.49	36.58	37.21	38.80	40.50	Book Value per sh ^D	46.00
104.09	155.52	169.19	171.26	174.39	188.83	191.57	213.17	276.00	281.56	401.49	421.10	428.50	463.30	466.80	474.80	482.00	489.00	Common Shs Outst'g ^E	510.00
17.7	21.1	17.5	16.4	18.2	18.8	20.1	20.0	24.3	18.0	21.6	16.8	17.1	19.2	20.6	21.2	21.6	21.2	Avg Ann'l P/E Ratio	21.5
.96	1.12	1.05	1.09	1.16	1.18	1.28	1.12	1.28	.91	1.13	.84	.92	1.02	1.06	1.13	1.13	1.13	Relative P/E Ratio	1.20
2.8%	3.0%	3.8%	4.2%	3.8%	3.6%	3.6%	3.8%	3.9%	3.8%	3.8%	3.7%	4.1%	3.6%	3.7%	3.8%	3.7%	3.8%	Avg Ann'l Div'd Yield	3.7%

CAPITAL STRUCTURE as of 3/31/22		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Revenues (\$mill)	2025-27
Total Debt	\$26248 mill. Due in 5 Yrs	\$7732 mill.														12000	12000
LT Debt	\$24393 mill.	LT Interest	\$945 mill.													1845	1845
Incl.	\$340 mill. finance leases.															14.5%	14.5%
(LT interest earned: 2.4x)																8.0%	8.0%
Leases, Uncapitalized	Annual rentals \$8 mill.															51.5%	51.5%
Pension Assets-12/21	\$3722 mill.	Oblig	\$3922 mill.													45.0%	45.0%
Pfd Stock	\$1623 mill. Pfd Div'd	\$65 mill.														51900	51900
Common Stock	476,900,000 shs.															48600	48600
MARKET CAP:	\$30 billion (Large Cap)															5.0%	5.0%
																7.5%	7.5%
																7.5%	7.5%
																4.0%	4.0%
																4.0%	4.0%

ELECTRIC OPERATING STATISTICS			
	2019	2020	2021
% Change Retail Sales (KWH)	NA	NA	NA
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA

ANNUAL RATES			
	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27
Revenues	-5%	-1.0%	3.5%
"Cash Flow"	4.0%	6.0%	5.0%
Earnings	5.0%	8.0%	5.0%
Dividends	6.0%	6.5%	6.0%
Book Value	6.5%	5.0%	4.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2019	2436	1970	2051	2326	8783
2020	2391	2077	2121	2346	8935
2021	2539	2130	2196	2583	9448
2022	2835	2350	2415	2800	10400
2023	2900	2450	2500	2850	10700

Cal-endar	EARNINGS PER SHARE ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2019	.72	.54	.63	.77	2.68
2020	.67	.59	.63	.71	2.60
2021	.76	.54	.62	.69	2.61
2022	.74	.59	.67	.75	2.75
2023	.80	.62	.70	.78	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID ^C				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2018	.425	.425	.425	.45	1.73
2019	.45	.45	.45	.475	1.83
2020	.475	.475	.475	.505	1.94
2021	.505	.505	.505	.535	2.05
2022	.535	.535			

(A) Also trades on NYSE (symbol FTS). All data in Canadian \$(B). Dil. eqs. Excl. non-recr. gains (loss): '07, 3c; '14, 2c; '15, 48c; '17, (35c); '18, 7c. '19, \$1.12. '19 EPS don't sum due to chng. in shs. Next eqs. report due late Jul. (C) Div'ds histor. pd. early Mar., June, Sept., and Dec. (D) Div'd reinv. plan avail. (2% disc.). (E) Incl. intang. ln '21: \$34.04/sh. (F) In mill. (F) Rates all'd on com. eq.: 8.3%-10.32%; earn. on avg. com. eq., '21: 7.1%. Reg. Clim.: FEREC. Above Avg.; AZ, Below Avg.; NY, Below Avg. (G) Excl. div'ds pd. via reinv. plan.

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We estimate that Fortis will post steady earnings growth this year and next. The company's ITC electric transmission subsidiary benefits from a forward-looking regulatory mechanism that enables the utility to earn a return on its investment contemporaneously and recover most expenses. Fortis' utility in New York will receive the second and third phases of a multiyear rate increase in mid-2022 and mid-2023. This year, the company is planning lower generation maintenance costs. Even so, we trimmed our 2022 share-net estimate by a nickel, to \$2.75, because March-quarter profits were slightly below our estimate. We are sticking with our 2023 target of \$2.90.

Fortis is hampered by low allowed returns on equity for some of its utilities. This can be seen in the company's earned ROEs, which are low even by utility standards. Tucson Electric Power will soon file a general rate case, and will ask that new tariffs be put into effect by September 1, 2023. Among other things, the utility will request a higher ROE than the currently allowed 9.15%. The cost of capital was reviewed in Alberta, and FortisAl-

berta will still operate under an 8.5% allowed ROE and a 37% common-equity ratio through 2023. The regulators in British Columbia are examining utilities' cost of capital. ITC's transmission business is allowed healthy ROEs, but the Federal Energy Regulatory Commission might remove a half percentage point incentive "adder" for some transmission owners. This would reduce Fortis' annual earning power by \$0.05 a share. We assume no change in ITC's allowed ROE in our estimates and projections.

We expect a dividend increase at the board meeting in September, effective with the payment in December. We look for a hike of \$0.13 a share (6.1%) in the annual disbursement. Fortis' goal for the dividend is 6% annual growth through 2025.

This stock has a dividend yield that is slightly above average for a utility. Total return potential is unspectacular for the 18-month and 3- to 5-year periods. Investors interested in dividend reinvestment should note that Fortis offers a 2% discount on its plan.

Paul E. Debbas, CFA June 10, 2022

Company's Financial Strength		B++
Stock's Price Stability		100
Price Growth Persistence		45
Earnings Predictability		90

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