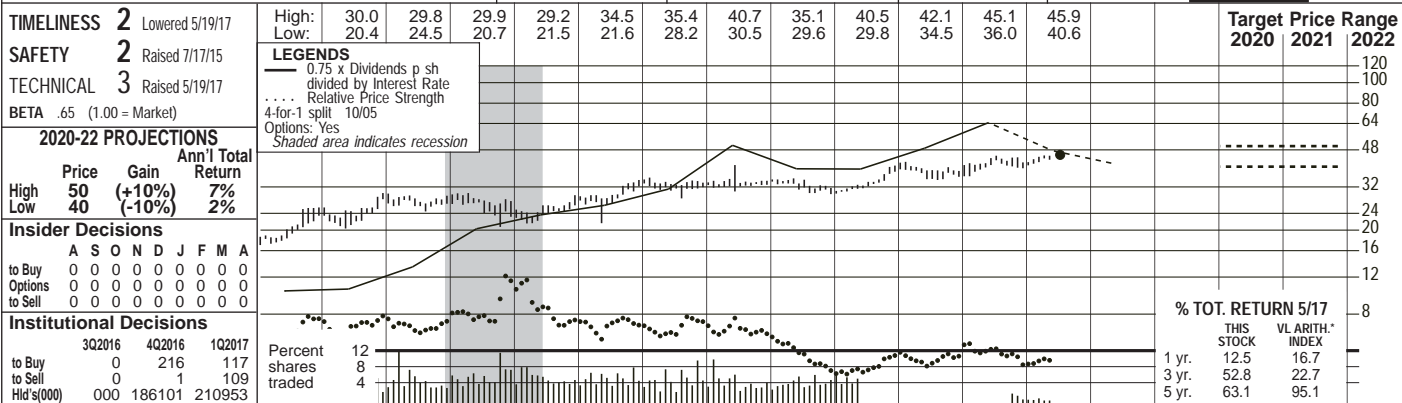


FORTIS INC. TSE-FTS.TO^A

RECENT PRICE **45.48** P/E RATIO **19.0** (Trailing: 22.3 Median: 19.0) RELATIVE P/E RATIO **0.96** DIV'D YLD **3.7%** VALUE LINE



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Price	10.48	10.40	12.13	11.99	13.86	14.14	17.48	23.07	21.24	21.01	19.84	19.07	18.99	19.57	23.89	17.03	19.55	19.80	19.55	19.55	19.55	19.55
Gain	1.88	1.83	1.92	2.23	2.73	3.05	2.96	3.51	3.66	3.99	3.90	4.10	4.10	3.62	5.21	3.91	5.20	5.55	5.55	5.55	5.55	5.55
Return	.84	.96	1.03	1.01	1.19	1.36	1.29	1.52	1.51	1.62	1.74	1.65	1.63	1.38	2.11	1.89	2.40	2.55	2.55	2.55	2.55	2.55
Div'd	.47	.50	.52	.54	.59	.67	.82	1.00	1.04	1.12	1.17	1.21	1.25	1.30	1.43	1.55	1.65	1.75	1.75	1.75	1.75	1.75
Spending	2.49	3.33	2.99	2.92	4.93	4.80	5.16	5.34	5.79	5.89	5.91	5.68	5.32	6.00	7.97	5.13	7.05	6.65	6.65	6.65	6.65	6.65
Book Value	7.49	8.50	8.84	10.47	11.76	12.26	16.72	18.00	18.57	18.95	20.53	20.84	22.39	24.90	28.63	32.32	33.45	34.35	34.35	34.35	34.35	34.35
Outstg Sh	59.92	68.77	69.52	95.53	103.20	104.09	155.52	169.19	171.26	174.39	188.83	191.57	213.17	276.00	281.56	401.49	422.00	429.00	429.00	429.00	429.00	429.00
P/E Ratio	11.7	12.6	13.6	15.3	17.2	17.7	21.1	17.5	16.4	18.2	18.8	20.1	20.0	24.3	18.0	21.6	20.0	20.0	20.0	20.0	20.0	20.0
Relative P/E	.60	.69	.78	.81	.92	.96	1.12	1.05	1.09	1.16	1.18	1.28	1.12	1.28	.91	1.15	1.00	1.00	1.00	1.00	1.00	1.00
Div'd Yield	4.8%	4.1%	3.7%	3.5%	2.9%	2.8%	3.0%	3.8%	4.2%	3.8%	3.6%	3.6%	3.8%	3.9%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues (\$mill)	2718.0	3903.0	3637.0	3664.0	3747.0	3654.0	4047.0	5401.0	6727.0	6838.0	8250.0	8500.0	9400.0	9400.0	9400.0	9400.0	9400.0	9400.0	9400.0	9400.0	9400.0	9400.0
Net Profit (\$mill)	193.8	259.0	280.0	313.0	347.0	362.0	390.0	374.0	672.0	660.0	1120.0	1205.0	1450.0	1450.0	1450.0	1450.0	1450.0	1450.0	1450.0	1450.0	1450.0	1450.0
Income Tax Rate	13.7%	19.3%	14.4%	17.2%	18.3%	14.1%	7.4%	14.6%	21.3%	16.9%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
AFUDC % to Net Profit	4.1%	5.0%	--	4.2%	5.5%	5.0%	5.9%	7.2%	7.4%	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Long-Term Debt Ratio	60.3%	56.8%	61.3%	60.5%	57.5%	55.1%	53.5%	54.8%	53.3%	59.3%	58.0%	57.5%	55.5%	54.8%	53.3%	59.3%	58.0%	57.5%	55.5%	54.8%	53.3%	59.3%
Common Equity Ratio	33.9%	35.4%	34.8%	33.5%	36.9%	35.1%	37.0%	35.7%	38.1%	36.2%	37.5%	38.5%	40.5%	40.5%	40.5%	40.5%	40.5%	40.5%	40.5%	40.5%	40.5%	40.5%
Total Capital (\$mill)	7666.0	8597.0	9136.0	9868.0	10513	11358	12892	19235	21151	35874	37425	38375	41300	41300	41300	41300	41300	41300	41300	41300	41300	41300
Net Plant (\$mill)	7241.0	7969.0	8246.0	8762.0	9281.0	10249	12267	17816	19595	29337	31100	32650	35300	35300	35300	35300	35300	35300	35300	35300	35300	35300
Return on Total Cap'l	4.3%	4.9%	5.0%	5.0%	5.0%	4.8%	4.6%	3.4%	4.5%	2.8%	4.0%	4.5%	5.0%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Return on Shr. Equity	6.4%	7.0%	7.9%	8.0%	7.8%	7.1%	6.5%	4.3%	6.8%	4.5%	7.0%	7.5%	8.0%	8.0%	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Return on Com Equity	7.2%	8.0%	8.2%	8.6%	8.2%	7.9%	7.0%	4.5%	7.4%	4.5%	7.0%	7.5%	8.0%	8.0%	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Retained to Com Eq	2.3%	2.7%	4.1%	2.8%	4.3%	3.7%	3.2%	1.7%	4.5%	2.1%	2.0%	2.5%	2.5%	2.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
All Div'ds to Net Prof	69%	68%	54%	71%	52%	60%	61%	68%	46%	59%	67%	67%	68%	68%	46%	59%	67%	67%	67%	67%	67%	67%

Year	2014	2015	2016
% 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)	9740	9705	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+37.1	+9	NA

Year	2014	2015	2016	2017	2018
Fixed Charge Cov. (%)	141	195	173		
ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22		
Revenues	4.0%	-5%	.5%		
"Cash Flow"	5.0%	2.0%	7.5%		
Earnings	4.0%	2.0%	9.0%		
Dividends	9.0%	5.0%	6.0%		
Book Value	9.5%	8.0%	4.5%		

Year	2014	2015	2016	2017	2018
Quarterly Revenues (\$mill)	1455	1056	1197	1693	5401
Quarterly Earnings	1915	1538	1566	1708	6727
Quarterly Dividends	1772	1485	1528	2053	6838
Quarterly Book Value	2274	1900	1926	2150	8250
Quarterly Total	2350	1950	2000	2200	8500

BUSINESS: Fortis Inc.'s main focus is electricity, hydroelectric, and gas utility operations (both regulated and nonregulated) in the United States, Canada, and the Caribbean. Has 2 mill. electric, 1.2 mill. gas customers. Owns UNS Energy (Arizona), Central Hudson (New York), FortisBC Energy (British Columbia), FortisAlberta (Central Alberta), and Eastern Canada (Newfoundland). Sold commercial real estate and hotel property assets in 2015. Acquired ITC Holdings 10/16. Fuel costs: 34% of revenues. '16 reported deprec. rate: 2.8%. Has 8,000 employees. Chairman: David G. Norris. President & CEO: Barry V. Perry. Inc.: Canada. Address: Fortis Place, Suite 1100, 5 Springdale St., PO Box 8837, St. John's, NL, Canada, A1B 3T2. Tel.: 709-737-2800. Internet: www.fortisinc.com.

Fortis has announced a significant acquisition. The company has agreed to pay Teck Resources CS1.2 billion in cash for a two-thirds interest in the Waneta Dam (a 496-megawatt hydro project in British Columbia) and related transmission assets. Teck Metals would use Fortis' stake in the plant to produce power under a 20-year lease agreement. Fortis plans to fund the purchase with a combination of debt, equity, and cash on hand at the time of closing, probably in a manner that keeps its capitalization ratios near where they are now. The deal requires various regulatory approvals, including that of the Federal Energy Regulatory Commission in the United States. Completion of the transaction is expected in the fourth quarter. It should be accretive to earnings. We will not adjust our figures to reflect the acquisition until after it has closed.

Earnings are likely to improve materially this year. The comparison is easy. Last year, the costs that Fortis incurred as a result of its acquisition of ITC Holdings reduced profits by \$0.29 a share. Other unusual expenses amounted to \$0.10 a share. Fortis will also benefit from a full

year's contribution from ITC, compared with less than three months in 2016. On the regulatory front, the company's utility in Tucson, Arizona received an \$81.5 million rate increase in late February. **We forecast additional bottom-line growth in 2018.** ITC's earning power rises each year thanks to a federally regulated formula rate plan that accounts for expected capital spending and increases in most kinds of expenses. Fortis' Canadian utilities should benefit from rate base expansion. **Fortis has a good track record of dividend growth.** The company boasts 43 consecutive years of annual hikes in the disbursement—the longest such streak of any public company in Canada. Fortis has set a goal of 6% average annual dividend growth through 2021. We think it will attain this target. **Timely Fortis stock has a dividend yield that is slightly above the utility average.** However, like most utility issues, the recent price is within our 2020-2022 Target Price Range. Thus, total return potential is unimpressive. *Paul E. Debbas, CFA* June 16, 2017

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	75

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