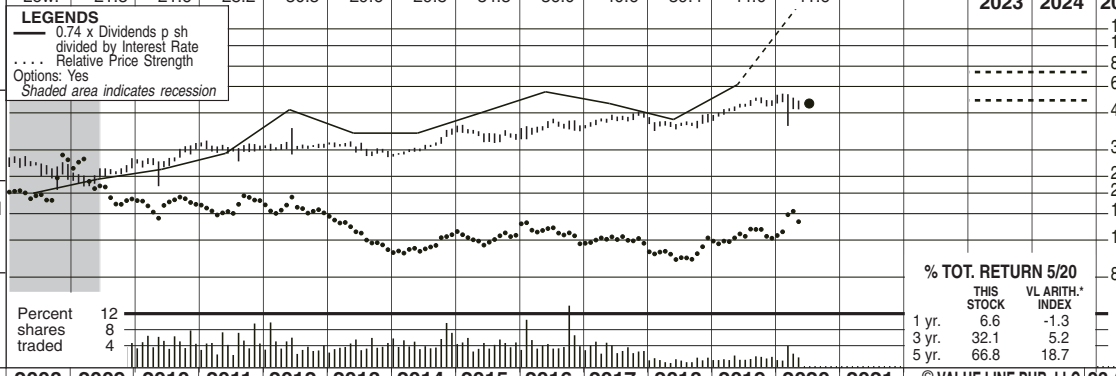
FORTIS INC. TSE-FTS.TO [A]

RECENT PRICE	53.13	P/E RATIO	21.7 (Trailing: 20.4 / Median: 19.0)	RELATIVE P/E RATIO	1.10	DIV'D YLD	3.8%	VALUE LINE

TIMELINESS 2 Lowered 5/22/20
SAFETY 2 Raised 7/17/15
TECHNICAL 2 Lowered 6/5/20
BETA .80 (1.00 = Market)

High:	29.2	34.5	35.4	40.7	35.1	40.5	42.1	45.1	48.7	47.4	56.9	59.3
Low:	21.5	21.6	28.2	30.5	29.6	29.8	34.5	36.0	40.6	39.4	44.0	41.6

Target Price Range 2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$43-$86	$65 (20%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+40%)	12%
Low	55	(+5%)	5%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	134	133	120
to Sell	108	118	131
Hld's(000)	228513	245710	238041

% TOT. RETURN 5/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.6	-1.3
3 yr.	32.1	5.2
5 yr.	66.8	18.7

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
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	19.71	19.58	18.96	*18.45*	*19.00*	Revenues per sh	*20.75*
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	5.43	5.40	5.44	*5.55*	*5.90*	"Cash Flow" per sh	*6.75*
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	2.66	2.52	2.68	*2.45*	*2.60*	Earnings per sh B	*2.75*
.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	1.86	*1.97*	*2.08*	Div'd Decl'd per sh C ■	*2.50*
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	7.18	7.51	8.03	*9.30*	*8.00*	Cap'l Spending per sh	*6.75*
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	31.77	34.80	36.49	*37.80*	*39.15*	Book Value per sh D	*43.25*
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	421.10	428.50	463.30	*466.00*	*469.00*	Common Shs Outst'g E	*478.00*
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	16.8	17.1	19.2	*Bold figures are*		Avg Ann'l P/E Ratio	*24.0*
.81	.92	.96	1.12	1.05	1.09	1.16	1.18	1.28	1.12	1.28	.91	1.13	.84	.92	1.03	*Value Line*		Relative P/E Ratio	*1.35*
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%	3.7%	4.1%	3.6%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
3664.0	3747.0	3654.0	4047.0	5401.0	6727.0	6838.0	8301.0	8390.0	8783.0	*8600*	*8900*	Revenues ($mill)	*9900*
313.0	347.0	362.0	390.0	374.0	672.0	660.0	1174.0	1136.0	1238.0	*1335*	*1405*	Net Profit ($mill)	*1545*
17.2%	18.3%	14.1%	7.4%	14.6%	21.3%	16.9%	25.8%	13.4%	12.5%	*14.0%*	*14.0%*	Income Tax Rate	*14.0%*
4.2%	5.5%	5.0%	5.9%	7.2%	7.4%	10.0%	9.5%	8.4%	9.2%	*9.0%*	*8.0%*	AFUDC % to Net Profit	*8.0%*
60.5%	57.5%	55.1%	53.5%	54.8%	53.3%	59.3%	58.4%	58.8%	54.2%	*53.5%*	*53.5%*	Long-Term Debt Ratio	*52.5%*
33.5%	36.9%	35.1%	37.0%	35.7%	38.1%	36.2%	37.1%	37.2%	41.8%	*42.5%*	*43.0%*	Common Equity Ratio	*44.0%*
9868.0	10513	11358	12892	19235	21151	35874	36108	40082	40445	*41325*	*42950*	Total Capital ($mill)	*46800*
8762.0	9281.0	10249	12267	17816	19595	29337	29668	32654	33988	*36875*	*39075*	Net Plant ($mill)	*44500*
5.0%	5.0%	4.8%	4.6%	3.4%	4.5%	2.8%	4.5%	4.1%	4.4%	*4.5%*	*4.5%*	Return on Total Cap'l	*4.5%*
8.0%	7.8%	7.1%	6.5%	4.3%	6.8%	4.5%	7.8%	6.9%	6.7%	*6.5%*	*6.5%*	Return on Shr. Equity	*6.5%*
8.6%	8.2%	7.9%	7.0%	4.5%	7.4%	4.5%	8.3%	7.2%	6.9%	*6.5%*	*6.5%*	Return on Com Equity F	*6.5%*
2.8%	4.3%	3.7%	3.2%	1.7%	4.5%	2.1%	5.2%	4.1%	4.0%	*3.0%*	*3.0%*	Retained to Com Eq	*2.5%*
71%	52%	60%	61%	68%	46%	59%	41%	46%	45%	*50%*	*50%*	All Div'ds to Net Prof G	*55%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $25146 mill. **Due in 5 Yrs** $5906 mill.
LT Debt $23445 mill. **LT Interest** $961 mill.
Incl. $334 mill. capitalized leases.
(LT interest earned: 2.4x)
Leases, Uncapitalized Annual rentals $10 mill.

Pension Assets-12/19 $3208 mill.
Oblig $3632 mill.
Pfd Stock $1623 mill. **Pfd Div'd** $67 mill.

Common Stock 464,300,000 shs.
as of 5/5/20
MARKET CAP: $25 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	NA	NA	NA
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	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
Fixed Charge Cov. (%)	231	208	204

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-.5%	- -	*1.0%*
"Cash Flow"	5.0%	6.5%	*3.5%*
Earnings	6.0%	11.0%	*1.0%*
Dividends	6.5%	7.0%	*6.0%*
Book Value	7.0%	8.5%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	2274	2015	1901	2111	8301
2018	2197	1947	2040	2206	8390
2019	2436	1970	2051	2326	8783
2020	2391	*1859*	*2050*	*2300*	*8600*
2021	*2450*	*2000*	*2100*	*2350*	*8900*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.72	.62	.66	.66	2.66
2018	.69	.57	.65	.61	2.52
2019	.72	.54	.63	.77	2.68
2020	.67	*.55*	*.63*	*.60*	*2.45*
2021	*.72*	*.61*	*.66*	*.61*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.375	.375	.375	.40	1.53
2017	.40	.40	.40	.425	1.63
2018	.425	.425	.425	.45	1.73
2019	.45	.45	.45	.4775	1.83
2020	.4775	.4775			

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, 1.3 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: 29% of revenues. '19 reported deprec. rate: 2.6%. Has 9,000 employees. Chairman: Douglas J. Haughey. 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 is better positioned than most utilities to deal with the effects of the weak economy. The company's ITC transmission subsidiary and FortisAlberta do not depend on retail electric volume for their revenues, and thus aren't affected by declines in kilowatt-hour sales. This represents about 63% of Fortis' business. Of the remaining 37%, 19% comes from residential kilowatt-hour sales (which are benefiting from stay-at-home orders) and 18% comes from commercial and industrial volume, which is down sharply.

Tucson Electric Power's rate proceedings have been delayed. The utility is seeking a $99 million hike, based on a 10% return on equity and a 53% common-equity ratio. TEP was expecting to get rate relief around mid-2020, but due to disruptions to normal operations stemming from the coronavirus, the schedule was delayed 60 days. A ruling from the Arizona commission is expected by yearend.

A decline in profits is likely this year. The fourth-quarter comparison will be difficult because a reversal of a reserve ITC had taken for an expected revenue refund added $0.19 a share to the bottom line. Also, average shares outstanding will be much higher due to a stock sale in late 2019. The aforementioned delay in the TEP rate order is another negative factor. At least a favorable swing in exchange rates between the United States and Canadian dollars is a positive factor.

We think the board of directors will raise the dividend, effective with the October payment. This has been the pattern in recent years. Fortis' goal is 6% yearly dividend growth through 2024, and the increase we estimate ($0.11 a share annually) would produce a 5.8% hike.

Timely Fortis stock has outperformed most electric utility issues in 2020. The price is down just 1%. We attribute this to the significant proportion of the company's business that is insulated from declines in kilowatt-hour sales. This is a change from recent years, when Fortis traded at a discount to most utilities because its Canadian business earns a lower return on investment than U.S. utilities earn. The dividend yield is about average for a utility. Total return potential is decent for the 18-month span but not for 2023-2025.

Paul E. Debbas, CFA *June 12, 2020*

(A) Also trades on NYSE under the symbol FTS. All data in Canadian $. (B) Dil. egs. Excl. nonrecur. gains (loss): '07, 3¢; '14, 2¢; '15, 48¢; '17, (35¢); '18, 7¢. '19, $1.12. '19 EPS don't sum due to chng. in shs. Next egs. report due early Aug. (C) Div'ds histor. paid in early Mar., June, Sept., and Dec. ■ Div'd reinv. plan avail. (D) Incl. intang. In '19: $35.01/sh. (E) In mill. (F) Rates all'd on com. eq.: 8.3%-10.32%; earn. on avg. com. eq., '19: 7.6%. Regul. Clim.: FERC, Above Avg.; AZ, Avg.; NY, Below Avg. (G) Excl. div'ds paid through reinvest. plan.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	70

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