Which Energy Company Is Best For Your Portfolio: Emera Inc. or Fortis Inc.?

Description

One thing that Canada has in abundance is energy – be it oil, natural gas or the means to produce electricity. So today we are going to look at two Canadian companies known for their electric capabilities and see which one of these powerhouses stands above the other in the eyes of investors.

Emera Inc.

First up is **Emera Inc.** (TSX: EMA). Born out of the privatization of Nova Scotia Power Inc. this company has recently begun a southern expansion into the northeast United States with an electric company in Maine and a pipeline running from Nova Scotia to Boston.

Emera has released its Q3 2014 earnings report, with revenues rising to $562 million from $491 million last year thanks to its new U.S. assets and year to date revenues that are up 33.2%. While adjusted EBITDA also increased to $202 million from $174 million, this follows the adjusted EPS which totalled $0.35 up from $0.29 during Q3 2013.

Although net income took a marginal hit dropping to $28.2 million from $28.8 million, this has been attributed in part to the $10.5 million post tropical storm Arthur cleanup by its subsidiary Nova Scotia Power. The company has also replenished its year to date cash-flow from operations which has increased by 34.4% to $585.3 million for the nine months ending September 30th 2014.

The appeal with Emera is not a surging stock price but rather its dependable dividend program which has just received a 6.9% boost bringing it to an annualized rate of $1.55 with a yield of 4.1%.

Fortis Inc.

Secondly we have **Fortis Inc.** (TSX: FTS) which has also reported its latest earnings report. Revenues came in at $1.19 billion up from $915 million thanks to its newest acquisition in Arizona, UNS Energy Corporation. The deal for UNS dominated the earnings report as extra revenues were offset by the cost of the $6.5 billion acquisition. Net income $32 million was down from the $67 million earned in last year's quarter.

Once thing that separates Fortis from Emera is its subsidiary FortisBC which supplies natural gas to much of the southern portion of the province. This is significant as B.C. is now realizing the potential of its natural gas reserves. With foreign entities vying for the opportunity to export natural gas, FortisBC has positioned itself as the “middle man” in many instances and will perhaps benefit the most from new infrastructure.

Similar to Emera, Fortis is tracking for limited stock price gains in the near future. However, Fortis has historically propped up its total returns with a healthy dividend program. While its current yield of 3.7% is lower than Emera’s, Fortis does have an outstanding pedigree of 42 consecutive years of dividend increases.

The investors win

Which company is better comes down to a matter of taste. Emera is more heavily invested in electric power generation along the Atlantic coast. In addition, the company has made several renewable energy investments into hydrogen power and is on the front lines of tidal power.

Fortis has a larger territorial footprint thanks to the expansion into B.C. and Alberta in 2004 and recent U.S. acquisitions in New York and Arizona. While electricity is Fortis’s bread and butter, its expansion into natural gas could prove to be a game changer especially if the government of British Columbia can transform their dreams of an LNG fuelled world into a reality.

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TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:FTS (Fortis Inc.)

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