

Emera Inc. Pushes All the Right Buttons

Description

If you're looking for a dividend-paying Canadian company with low variability in earnings and low historical beta, look no further than **Emera Inc.** ([TSX: EMA](#)), one of North America's largest utilities. Emera pays a quarterly dividend of \$0.40 per share, or \$1.60 per share annually, which gives the stock a 3.9% yield at today's prices. The utility has increased its dividend 11 times since 2007, and has a five-year dividend-growth target of 6% per year.

Technical strategies

Morningstar used its proprietary CPMS software to create the "conservative 10" strategy, a model aimed at investors who look for steady companies that have reasonable valuations, provide a sustainable yield, and have low variability in earnings.

"Earnings variability is a key factor in the strategy," says CPMS relationship manager Ian Tamm. "CPMS calculates the volatility of a company's reported earnings per share on a quarterly basis and considers the full history of the company."

Beta is also a key factor in the model, Tamm adds, measuring the historical sensitivity of a stock's price movement to the TSX. Conservative stock pickers tend to like lower beta stocks since they will move less than the index when markets trend downward.

As well as earnings and beta, the software looks at dividend yield, estimate revisions, price to book and price to trailing earnings. Emera came out on top in the 16-year back-tested survey from 1999-2015, followed by **BCE Inc.** and **Bank of Nova Scotia**.

Quarterly results

Earlier this month, Emera reported its first quarter earnings. Adjusted earnings per share increased nearly 15%, boosted by an increase in profits at its trading business, Emera Energy; a rise in revenue at its largest subsidiary, Nova Scotia Power; and gains from the company's New England gas generating facilities. The adjusted quarterly earnings of \$1.18 per share handily beat analyst estimates of \$0.77 per share. Based on its net profit margin, Emera has been effective at turning revenues.

"Emera had a strong start to the year, with record first quarter adjusted earnings, driven by growth in every segment of the business," said Chris Huskison, president and CEO of Emera Inc.

It's not a stretch to name-check Emera as one of the top utilities stocks in today's market, with a 7% share price increase year-to-date. The company has also shown an admirable dedication to maximizing shareholder value with its dividend increases, making the stock a clear candidate for foolish investors looking for strong performers to add to their diversified portfolio.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

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