



## One Chart Every Dividend Investor Needs to See

### Description

The key to successful dividend investing is identifying those stocks that have a business that is almost impossible to replicate and possess a wide economic moat. This not only protects their competitive advantage, but also helps to ensure earnings growth will translate into regular dividend hikes.

One company that possesses these attributes and stands out for all the right reasons is electric utility **Emera Inc.** ([TSX:EMA](#)).

Let me explain why.

### Now what?

As an electric utility, Emera operates in an industry that has steep barriers to entry. Not only is it heavily regulated, but any potential entrant needs to invest considerable amounts of capital to acquire and construct the required infrastructure. It is also highly likely that there will be a considerable lag before there is any return on that investment, making that investment unappealing to many investors.

These characteristics, along with the scale of Emera's business, make it difficult to replicate, giving it a wide economic moat. This protects it from competition and allows it to continue growing earnings through a combination of cost savings, business improvements, and network expansion.

Another important characteristic is that Emera's business is almost recession proof.

The demand for electricity remains constant because it is an important component that powers our modern lives in the information age. It is also a necessary ingredient of modern economic activity that almost every business needs to use in order to operate. This essentially makes the demand for electricity inelastic and shields Emera's earnings from the unpredictability of the economic cycle.

When this is combined with its wide economic moat, it makes Emera's earnings particularly stable, virtually locking in long-term growth.

The benefits these characteristics give Emera can be seen in its first-quarter 2015 results, where

adjusted earnings shot up 15% year over year, and EBITDA, a key measure of core profitability, spiked by 16% for the same period. I expect Emera to continue delivering solid earnings, with it generating a considerable portion of its earnings from regulated electric assets.

Each of these characteristics have allowed Emera to reward investors by regularly hiking its dividend, giving it an impressive dividend-payment history.

[Emera Dividend Chart 050615](#)

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*Source: Emera Investor Relations.*

As you can see Emera has hiked its dividend for 22 years straight and now rewards investors with a juicy yet sustainable 4% yield, making it an attractive holding for any stock portfolio.

### **So what?**

Emera's wide economic moat and steadily growing dividend make it a core holding for any dividend-focused portfolio, and I believe one of the best emerging dividend-growth stocks in Canada. In fact, when the company's focus on expanding its regulated power assets is coupled with the steadily increasing demand for electricity because of an expanding economy and growing population, I expect this dividend growth to continue.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:EMA (Emera Incorporated)

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