



## Which Utility Stock Is the Better Buy Today: Fortis Inc. or Emera Inc.?

### Description

**Fortis Inc.** ([TSX:FTS](#)) and **Emera Inc.** ([TSX:EMA](#)) are two of the largest electric and gas utilities companies in North America, and both of their stocks represent very attractive long-term investment opportunities today.

However, the laws of diversification clearly state that we cannot buy both, so let's take a closer look at each company's earnings results in the first half of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today.

#### Fortis Inc.

Fortis's stock has fallen just over 6% year-to-date, including an increase of over 1.5% since it released its earnings results for its three and six-month periods ending on June 30, 2015 on the morning of July 31. Here's a summary of six of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted net income increased 42.5% to \$302 million
2. Adjusted earnings per share increased 10.1% to \$1.09
3. Total revenue increased 37.5% to \$3.45 billion
4. Operating income increased 42.9% to \$723 million
5. Cash flow from operating activities increased 56.7% to \$918 million
6. Total assets increased 51% to \$28.07 billion

At current levels, Fortis's stock trades at 18.1 times fiscal 2015's estimated earnings per share of \$2.02 and 17 times fiscal 2016's estimated earnings per share of \$2.15, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.9.

Additionally, Fortis pays a quarterly dividend of \$0.34 per share, or \$1.36 per share annually, giving it stock a 3.7% yield at today's levels. It is also very important to note that the company has increased its dividend for 42 consecutive years, the record for a public corporation in Canada.

## Emera Inc.

Emera's stock has risen over 10.5% year-to-date, including a decline of less than 1% since it released its earnings results for its three and six-month periods ending on June 30, 2015 on the morning of August 11. Here's a summary of six of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted net income increased 15.1% to \$219.6 million
2. Adjusted earnings per share increased 12.7% to \$1.51
3. Total revenue decreased 11.1% to \$1.44 billion
4. Operating income decreased 27.9% to \$268.2 million
5. Net cash provided by operating activities decreased 8.3% to \$376 million
6. Total assets increased 9% to \$9.89 billion

At today's levels, Emera's stock trades at 18 times fiscal 2015's estimated earnings per share of \$2.38 and 18.1 times fiscal 2016's estimated earnings per share of \$2.37, both of which are expensive compared with its five-year average price-to-earnings multiple of 17.8.

In addition, Emera pays a quarterly dividend of \$0.475 per share, or \$1.90 per share annually, giving its stock a 4.4% yield at current levels. Investors should also note that the company has increased its dividend for nine consecutive years.

## Which is the better buy today?

After directly comparing Fortis and Emera, I think Fortis represents the better long-term investment opportunity today. Emera has a higher dividend yield, but Fortis reported much stronger earnings results in the first half of fiscal 2015 and its stock trades at much more attractive forward valuations, giving it the easy win in this match-up. All Foolish investors should strongly consider making it a core holding today.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

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

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