



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

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, in order to keep our portfolios diversified, we must only choose one, so let's take a closer look at each company's earnings results in the first nine months of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today.

Fortis Inc.

Fortis's stock has fallen over 3% year-to-date, including a decline of about 1% since it released its earnings results on the morning of November 6 for its three- and nine-month periods ended on September 30, 2015. Here's a summary of six of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net earnings increased 60.2% to \$447 million
2. Adjusted earnings per share increased 23.8% to \$1.61
3. Total revenue increased 35.4% to \$5.02 billion
4. Operating income increased 47.3% to \$1.08 billion
5. Cash flow from operating activities increased 96.9% to \$1.28 billion
6. Total assets increased 7.1% to \$28.64 billion

At today's levels, Fortis's stock trades at 18.4 times fiscal 2015's estimated earnings per share of \$2.04 and 17.3 times fiscal 2016's estimated earnings per share of \$2.17, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.6.

In addition, Fortis pays a quarterly dividend of \$0.375 per share, or \$1.50 per share annually, giving it stock a 4% yield. Investors must also note that the company has raised its annual dividend payment for 43 consecutive years, the record for a public corporation in Canada, and it has a program in place to raise it by another 6% annually through 2020.

Emera Inc.

Emera's stock has risen over 10% year-to-date, including an increase of over 1% since it announced its earnings results on the morning of November 13 for its three- and nine-month periods ended on September 30, 2015. Here's a summary of six of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 0.9% to \$242.9 million
2. Adjusted earnings per share decreased 0.6% to \$1.67
3. Operating revenues decreased 4% to \$2.09 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 7.5% to \$772.4 million
5. Net cash provided by operating activities decreased 0.3% to \$583.8 million
6. Total assets increased 11.5% to \$10.97 billion

At today's levels, Emera's stock trades at 19 times fiscal 2015's estimated earnings per share of \$2.26 and 18.2 times fiscal 2016's estimated earnings per share of \$2.35, 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. It is also very important to note that the company has raised its annual dividend payment for nine consecutive years, and it has a program in place to raise it by another 8% annually through 2019.

Which utility stock is the better buy today?

Here's how each company ranks when comparing the strength of their earnings results in the first nine months of fiscal 2015, their stocks' valuations, and their dividends:

Metric	Fortis	Emera
Earnings Strength	1	2
Forward P/E	1	2
Valuations	1	2
Dividend Yield	2	1
Dividend Growth	1	2
Average Ranking	1.25	1.75

As the chart above depicts, Emera has a higher dividend yield, but Fortis reported stronger earnings results in the first nine months of fiscal 2015, its stock trades at more attractive forward valuations, and it has a longer streak of annual dividend increases, giving it the easy win in this match up.

With all of this being said, both stocks represent great long-term investment opportunities today, so Foolish investors should strongly consider beginning to scale it to positions in one of them over the next couple of trading sessions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

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