



## Is Fortis Inc. or Emera Inc. the Better Buy Today?

### Description

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

However, the laws of diversification clearly state that we cannot own both, so let's compare the companies' earnings results in the first quarter of 2016, their stocks' valuations, and their dividends to determine which is the better buy today.

#### Fortis Inc.

Fortis's subsidiaries include FortisBC, UNS Energy, Central Hudson, FortisAlberta, and Newfoundland Power. Its stock has risen over 8% year-to-date, including an increase of less than 1% since it released its first-quarter earnings results before the market opened on May 3. Here's a breakdown of five of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income increased 6.1% to \$190 million
2. Adjusted earnings per share increased 3.1% to \$0.67
3. Total revenue decreased 8.3% to \$1.76 billion
4. Cash flow from operating activities increased 7.3% to \$483 million
5. Total assets increased 1.7% to \$28.02 billion

At today's levels, Fortis's stock trades at 19 times fiscal 2016's estimated earnings per share of \$2.14 and 16.9 times fiscal 2017's estimated earnings per share of \$2.40, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.2 and the industry average multiple of 19.2.

Additionally, Fortis pays a quarterly dividend of \$0.375 per share, or \$1.50 per share annually, which gives its stock a yield of about 3.7%.

Investors must also make the following two notes.

First, Fortis has raised its annual dividend payment for 43 consecutive years, and its 10.3% hike in September 2015 has it on pace for 2016 to mark the 44th consecutive year with an increase.

Second, the company has a target dividend-growth rate of 6% annually through 2020.

### Emera Inc.

Emera's subsidiaries include Nova Scotia Power, Emera Maine, Barbados Light & Power, Emera Energy, and Emera Utility Services. Its stock has risen over 7% year-to-date, including an increase of less than 1% since it released its first-quarter earnings results after the market closed on May 9. Here's a breakdown of five of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income decreased 19.8% to \$137.7 million
2. Adjusted earnings per share decreased 21.2% to \$0.93
3. Operating revenues decreased 1.3% to \$877 million
4. Net cash provided by operating activities increased 51% to \$180.6 million
5. Total assets increased 12.1% to \$11.45 billion

At today's levels, Emera's stock trades at 18.8 times fiscal 2016's estimated earnings per share of \$2.46 and 16.7 times fiscal 2017's estimated earnings per share of \$2.77, both of which are expensive compared with the industry average price-to-earnings multiple of 19.2, and the latter of which is inexpensive compared with its five-year average multiple of 17.9.

Additionally, Emera pays a quarterly dividend of \$0.475 per share, or \$1.90 per share annually, which gives its stock a yield of about 4.1%.

Investors must also make the following two notes.

First, Emera has raised its annual dividend payment for nine consecutive years, and its two hikes since the start of 2015, including its 18.8% hike in August 2015, have it on pace for 2016 to mark the 10th consecutive year with an increase.

Second, the company has a target dividend-growth rate of 8% annually through 2019, and it has noted that its pending acquisition of **TECO Energy, Inc.** positions it to extend this target beyond 2019.

### Which is the better buy?

Here's how each company ranks when comparing their earnings results in the first quarter of 2016, their stocks' valuations, their dividend yields, their streaks of annual dividend increases, and their dividend-growth programs:

Metric	Fortis	Emera
Q1 Earnings Strength	1	2
Forward P/E Valuations	1	1
Dividend Yield	2	1

Annual Dividend Increase Streak	1	2
Dividend-Growth Program	1	1
Average Ranking	1.2	1.4

As the chart above depicts, Emera has a higher dividend yield, and both stocks trade at attractive forward valuations and have great dividend-growth programs, but Fortis reported slightly stronger first-quarter earnings results, and it has a much more impressive streak of annual dividend increases, giving it the edge in this match up.

With all of this being said, I think both stocks are buys, so Foolish investors should strongly consider making one of them a core holding.

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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