Retirees: A Top Dividend-Growth Stock for Your Portfolio

Description

In this low interest rate environment, finding a top-quality dividend-growth stock for your retirement portfolio is an uphill task.

Today, I've picked a great Canadian company which has consistently raised its dividend, and there is a good chance that it'll continue to do so.

I'm talking about **Emera Inc.** (TSX:EMA), a Halifax, Nova Scotia-based utility which is growing its operations in North America and Caribbean countries. The company generated $4 billion in sales over $29 billion in assets in 2016 through its electricity generation, gas transmission, and distribution services.

Stable and growing dividend

One thing I particularly like about utilities companies is that they operate in a very secure and regulated environment. Their customers pay them on time because they need to turn on their lights and heating systems every day.

This built-in safety feature in utilities' business models allows them to produce regular cash from their operations that they distribute among their shareholders. The same is true for Emera; it offers an attractive dividend of 4.5% on today's price of $46.84.

Another important element in any dividend-investing strategy is that you pick companies which have the ability to grow their dividends with a rising rate of inflation. Emera nicely fits into this category as the company has been hiking payouts every year for a decade now.

Future growth

In stock investing, a great history doesn't guarantee a splendid future. So, let's see if Emera has plans to grow and produce enough cash to increase dividend for its income investors in the years to come.

The biggest growth driver for Emera is its $6.5 billion acquisition of TECO Energy, Inc. last year. This deal has created a combined entity which is among the top 20 North American regulated utilities, adding significant growth opportunities. According to the management, this acquisition is likely to boost Emera's earnings per share 5% in 2017 and 10% by 2019.

Due to this significant earnings and cash accretion expected from the TECO Energy acquisition, and combined with the growth potential for the merged businesses, the management plans to increase dividend payouts 8% annually through 2020.

Is Emera's share price attractive?

After looking at Emera's growth potential and its juicy dividend payout, there is a little doubt that this business is a good candidate for your retirement portfolio. But before you make an investment decision, let’s see if the current price level provides us a good entry point.

Emera stock is down about 4% in the past one month on general concerns that rising interest rates may eat into the utility companies’ profitability. The stock is currently trading near the middle of its 52-week price range.

At about $47 per share, Emera trades at a price-to-earnings ratio of 17.7. With the analysts’ average price target of $53.19, I think Emera’s valuations provide an attractive buying opportunity, especially at a time when the company plans to grow its dividend and sees an accelerated growth in years to come.

CATEGORY

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1. Editor's Choice

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1. TSX:EMA (Emera Incorporated)

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