



One Standout Dividend Grower to Supplement Your Income

Description

Utility stocks are a key component of a well-diversified portfolio, yet due to their defensive (think: boring) nature, most investors are unable to differentiate between most of the utility names. But for those of us who choose to be picky, **Emera Inc. (TSX:EMA)**, is a large power producer that features a strong growth profile and dividend growth, which makes it stand out from the crowd.

A brief intro

For those not familiar with the name, Emera is a Halifax-based utility company focusing on the generation, distribution and transmission of energy and natural gas throughout the Maritime provinces, eastern United States, and parts of the Caribbean and New Mexico. Currently, Emera holds over \$27 billion in assets, while serving 2.5 million customers.

Sector-leading earnings growth

Currently Emera is trading at a premium to its peers at 30 times its trailing 12-month earnings compared to the sector median of 21.3 (Thomson One estimates). The premium valuation is largely warranted due to the company's strong growth profile.

For example, in its second-quarter 2017 earnings, the company reported EPS of \$.55 versus the consensus of \$.51 thanks to stronger-than-expected numbers from its Florida and New Mexico power segments. Of note, the former area assets represented the accretion stemming from Emera's 2016 acquisition of TECO Energy: a US \$10.7 billion deal that added \$6.5 billion in assets to Emera's books, as well as TECO's wide array of renewable power resources.

A consistent dividend grower in the green space

Of course, Emera's growth wouldn't be worth highlighting if it was not reflected in the company's dividend. History has shown that Emera has been a consistent dividend grower, with its +4% yield reflecting an 8% compounded annual growth rate, which is projected by management to go through to 2020 at a comfortable mid-70% payout ratio.

Furthermore, for those of us who gravitate towards socially responsible investments, Emera has a number of investments in the green energy space that are worth noting. For example, through the Tampa Electric Company, acquired as part of the TECO deal, Emera is busy pursuing various solar power initiatives such as the construction of the largest solar array in the Tampa Bay area. Moreover, according to an interview in the press, Emera CEO Chris Huskison, has reiterated the company's commitment to the Atlantic Link project — a subsea cable running to Boston from Nova Scotia, to meet the skyrocketing demand for clean alternatives in the states of Massachusetts and Connecticut in 2018.

So, there you have it; Emera is anything but a run-of-the-mill utility. As stock market valuations continue to creep higher, Emera represents a great defensive play that features a strong growth profile, a consistent and growing dividend, as well as investment in renewable resources.

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