



## Which 1 Is Better for Dividend Income: Emera Inc. or Hydro One Ltd.?

### Description

Investing in regulated utilities is a great way to earn stable dividend income.

The reason is simple: a utility's rate of return is generally set by the regulators. Customers pay their gas and power bills, and investors get paid dividends.

In the utility space, you've many reliable names to consider in North America to earn your dividend income. Today, let's see if **Emera Inc.** ([TSX:EMA](#)) or **Hydro One Ltd.** ([TSX:H](#)) are good candidates for your income portfolio.

#### Emera Inc.

Emera, a Nova Scotia-based utility, 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.

The utility services 2.5 million customers, of which 1.8 million are in the U.S. After its last year's acquisition of Tampa Electric TECO, Emera management forecasts its 75-85% of earnings will be from the regulated businesses with two-thirds denominated in the U.S. dollar.

With an annual dividend yield of 4.5% on a stock price of \$46.21, Emera is an attractive dividend stock. The stock nicely fits in a dividend-investing strategy, where the objective is to earn secure and growing income.

Emera has provided 8.8% annual growth in dividend during the past seven years, and it plans to continue with this practice by delivering a similar payout growth until 2020. Emera's payout ratio is also very manageable, ranging between 65% and 75% in the past five years.

#### Hydro One

Hydro One is an electricity, transmission, and distribution company that serves Canada's most populated province: Ontario.

Hydro One's revenues are regulated and provide a great stability to its cash flows and dividends. With a 3.89% dividend yield on today's price of \$22.61, Hydro One provides a good opportunity to income investors for long-term growth.

Like Emera, Hydro One is also seeking to expand south of the border. The company has recently announced a \$6.7 billion acquisition of northwestern U.S. energy company Avista Corp., which, according to the management, is a "high-quality, strategic transaction" which will enable it to further enhance customer and shareholder value.

### **Which one is better?**

I think both companies provide stable and long-term investment opportunities to dividend investors.

If you need to pick one, I prefer Emera due to its diversified business model and revenue stream, which is in a much more mature stage.

However, after an 11% plunge in its share price during the past 12 months, Hydro One provides a good entry point when compared to Emera stock, which held up much better during this period.

Both stocks provide a solid growth platform for income investors and remain good buys at current levels.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. TSX:EMA (Emera Incorporated)
2. TSX:H (Hydro One Limited)

### **PARTNER-FEEDS**

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