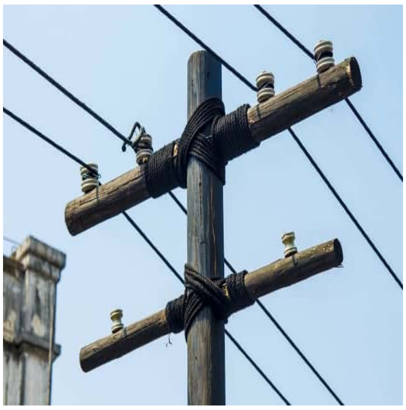

Why Emera Inc. Is Down Over 3%

Description

Emera Inc. (TSX:EMA), one of North America's largest electric and gas utilities companies, announced its fiscal 2017 fourth-quarter and full-year earnings results after the market closed on Friday, and its stock has responded by falling over 3% at the open of trading today. The stock has now fallen more than 15% from its 52-week high of $49.48 reached back in December, so let's break down the quarterly results, the annual results, and the fundamentals of the stock to determine if we should consider using this weakness as a long-term buying opportunity.

Breaking down the Q4 and annual results

Here's a quick breakdown of five of the most notable financial statistics from Emera's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Operating revenues	$1,473 million	$1,513 million	(2.6%)
Adjusted EBITDA	$559 million	$498 million	12.2%
Income from operations	$236 million	$208 million	13.5%
Adjusted net income attributable to common shareholders	$137 million	$104 million	31.7%
Adjusted earnings per common share (EPS)	$0.64	$0.51	25.5%

And here's a breakdown of seven notable financial statistics from its 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Operating revenues	$6,226 million	$4,277 million	45.6%
Adjusted EBITDA	$2,295 million	$1,744 million	31.6%

Income from operations	$1,391 million	$555 million	150.6%
Adjusted net income attributable to common shareholders	$524 million	$475 million	10.3%
Adjusted EPS, excluding one-time items	$2.46	$2.39	2.9%
Operating cash flow	$1,193 million	$1,053 million	13.3%
Dividends per common share declared	$2.1325	$1.995	6.9%

What should you do with the stock today?

It was a solid quarter overall for Emera, and it capped off a very strong year for the company, so I do not think the +3% drop in its stock is warranted; that being said, I think the decline represents a very attractive entry point for long-term investors for two fundamental reasons.

First, it's undervalued. Emera's stock trades at just 17.1 times fiscal 2017's adjusted EPS of $2.46 and a mere 14.7 times the consensus analyst estimate of $2.86 for fiscal 2018, both of which are inexpensive given the low-risk nature of its business model, its very strong cash flow-generating ability, and its estimated 6.65% long-term earnings-growth rate; these multiples are also inexpensive compared with its five-year average multiple of 18.8.

Second, it has a phenomenal dividend. Emera currently pays a quarterly dividend of $0.565 per share, representing $2.26 per share annually, which gives it a massive 5.4% yield. On top of offering a high yield, the utility company is on track for 2018 to mark the 12th consecutive year in which it has raised its annual dividend payment, and it has a dividend-growth program in place that calls for annual growth of approximately 8% through 2020.

With all of the information provided above in mind, I think Foolish investors searching for a low-risk investment with a steady growth rate and high dividend should strongly consider making Emera a long-term core holding.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/03
Date Created
2018/02/12
Author
jsolitro