



## 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)

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