



Get a +5% Yield From This Safe Utility

Description

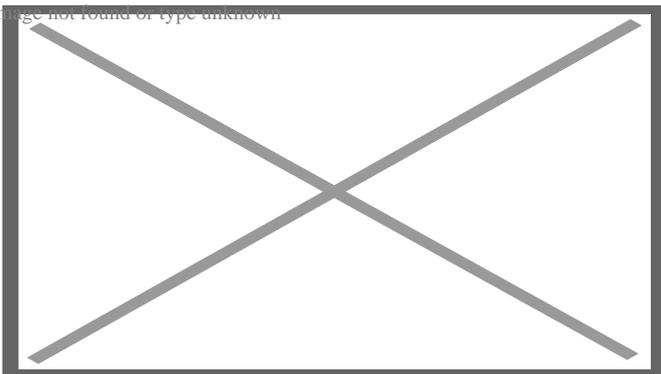
Emera Inc. ([TSX:EMA](#)) stock has been under pressure in the first half of the year partly because of interest rates trending higher and partly because of reporting a loss in the fourth quarter. However, the loss was due to a non-cash expense that resulted from the tax reform in the United States. The business itself is doing just fine.

After a four-month consolidation, the regulated utility stock finally breathed life again by popping about 7% since mid-June. So, the market seems to be finding the stock to be too cheap.

When I [compared Emera and Fortis Inc.](#) in May, I said, “Emera will likely deliver greater returns due to its bigger dividend yield and expected higher growth rate.”

The market has already begun reflecting Emera’s value by popping about 5.7% since that article was published. In comparison, Fortis stock has only appreciated about 0.7%.

Image not found of type unknown



Emera offers an attractive dividend

Emera offers a compelling dividend. In fact, its dividend yield of nearly 5.3% is at the high end of its 10-year dividend yield range, which may indicate the stock is still a good value despite the run-up of its share price.

Emera has increased its dividend per share for 11 consecutive years. Its 10-year dividend growth rate is 9%. The company's dividend per share in the last 12 months is 6.1% higher than it was in the previous 12 months.

Although management aims to grow Emera's dividend by 8% per year on average through 2022, it'd be better if it can reduce its [payout ratio](#) first, as the utility's payout ratio is estimated to be about 80% this year, which is much higher than Fortis's payout ratio of 68%.

Notably, Emera offers a dividend reinvestment plan, which as described on its website, "There may be a discount of up to 5% from the average market price for shares purchased in connection with the reinvestment of cash dividends." This is a great opportunity for long-term investors to build their positions.

How much upside does Emera have?

The analysts at **Thomson Reuters Corp.** have a mean 12-month target price of \$47.80 per share on the stock, representing near-term upside potential of about 11% from the recent quotation of roughly \$43 per share.

Investor takeaway

Emera is a stable utility that offers a safe +5% yield. Although the stock still has some upside potential, it has run-up quite a bit for a utility in the last two weeks or so.

Therefore, the stock could experience some weakness in the very near term as it runs into some resistance at the \$43-44 per share level. Interested investors can probably buy the stock at a slightly cheaper price in the very near term.

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

2025/07/28

Date Created

2018/06/27

Author

kayng

default watermark

default watermark