



A 5% Dividend You Can Count On in 2019 and Beyond

Description

Emera ([TSX:EMA](#)) has a long history of stability, growth, and high dividend payouts.

Currently, shares yield 5.1%, nearly double the rate of the TSX Composite Index. And with record cash flow — 29% higher than the year before — the company should have no problem sustaining or even growing the dividend in 2019.

Long term, management is making all the right moves to make Emera's dividend one of the safest on the market. And upon further inspection, there's reason to believe it could grow by above-average rates over the next few years.

Slow and steady wins the race

Since 1993, Emera shares have earned a reputation for incredible stability. Down years have been rare, and never in its nearly 30-year public history has the company cut its dividend. Even during the global credit crisis of 2008 and 2009, Emera actually grew stronger.

For example, from May 2008 to May 2009, the TSX Composite Index fell by more than 30%. Emera stock, meanwhile, fell by less than 10%. When including dividends, shareholders ended the 12-month period roughly flat.

So, in one of the most disastrous global routs in stock market history, when both countries and companies were teetering on the brink of collapse, Emera shareholders lost nothing.

Less than six months after the depth of the bear market, Emera actually *boosted* its dividend payment. Dividend investors won't find a more stable payout than this.

Slow growth is good growth

Over the next three years, Emera expects to grow its rate base by a bit more than 6% annually. By

2020, roughly 60% of its earnings should come from its U.S. utility business, while the rest will be generated from its Canadian and Caribbean segments.

While 6% growth may not seem overly impressive, it comes with near guarantees. Emera's current spending plan is heavily focused on stable, regulation-friendly jurisdictions.

For example, about 70% of its spending will be in Florida, 20% in Nova Scotia, and the rest spread across its various business segments. Many of these deals have power-purchase agreements that guarantee a certain rate base and cost. Additionally, some contracts include clauses that ensure full cost recovery.

In Florida — the company's biggest growth driver — Emera is investing \$850 million to install 600 megawatts of solar production by 2021. In 2018, 145 megawatts were brought online. A further 260 megawatts will enter the market in early 2019. The remaining 195 megawatts will go live over the next 12-24 months.

So far, Emera has experienced no setbacks building and deploying this infrastructure. And because the assets are renewable, the company shouldn't need to worry about regulatory action impacting other, less clean sources of energy.

Buy Emera for one reason

In total, management's 6% annual growth rate should be achieved over the next few years. Additionally, by 2020, management aims to reduce its debt load from 60% of its capital structure to just 55%. Preferred equity should also fall from 11% to just 10%.

On its latest conference call, Emera CFO Greg Blunden noted that management sees "earnings-per-share growth kind of in line with rate base growth, and dividend growth slightly less than that." So, while dividends may grow at just 3-4% in 2019 and 2020, Emera continues to become a fortress of stability.

Other investors are ignoring Emera's safety and proven history of execution, but if you want to preserve capital and protect against a market downturn, there are few better stocks to invest in.

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Author

rvanzo

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