Fortis Inc. (TSX:FTS) vs Emera (TSX:EMA): Which Stock Is a Better Buy?

Description

This year has been great for utility stocks. After central banks in North America moved to the sidelines, investors got bullish on these beaten-down stocks and helped create a powerful rally. With many power and gas utilities trading near the 52-week highs, it's also a good time to determine whether they're getting expensive.

Keeping this theme in mind, here are two top utilities. Let's see which one is offering better value today.

Fortis Inc.

In the Canadian utility space, **Fortis Inc.** (TSX:FTS)(NYSE:FTS) has been one of the best-performing stocks. St. John's-based Fortis has a diversified asset base, providing electricity and gas to 3.2 million customers in the U.S., Canada, and the Caribbean countries. Its U.S. operations account for about 60% of its regulated earnings, while the rest comes from its Canadian and Caribbean operations.

After remaining under pressure until October, Fortis stock has rebounded strongly, gaining about 12% this year and reaching near the 52-week high. For dividend investors, Fortis has been a solid investment.

With a 3.63% dividend yield and about 6% expected growth in its annual dividend payouts through 2023, Fortis holds strong appeal for income investors. Between 2006 and 2019, Fortis' annual distribution increased from $0.67 to $1.80, which was mostly helped by Fortis' low-risk assets and its regulated utilities.

Emera

The Halifax, Nova Scotia-based **Emera Inc.** (TSX:EMA) is one of the top 20 North American regulated utilities, earning about 85% of consolidated earnings from its regulated business. This is one of the biggest advantages of investing in regulated utilities, as certainty in their cash flows makes it easier for management to distribute profit in the shape of growing dividends.

In case of Emera, 2018 was a tough year, as the company faced growing risk of its credit rating being cut as it had a funding gap of approximately $2 billion. The company had no choice but to sell off several assets in order to build $2 billion in equity. Despite this restructuring, the utility is still considered a bit riskier than Fortis.

Emera, which was forecasting 8% dividend growth, had to cut it to 4-5% in order to retain funds for future projects. With the higher dividend yield of 4.67%, the utility pays $0.5875 a share quarterly payout. Trading at $51.81 at writing, its stock is up 18% so far this year.

Bottom line

After their impressive gains in 2019, investors may be too late to invest in utility stocks, such as Fortis and Emera. That said, you can still buy these stocks to take advantage of the dividend should interest rates continue to fall, but I wouldn't invest my money expecting further growth in the 15-20% range. With this in mind, I find Fortis safer than Emera, and its over 6% dividend growth is a great incentive for long-term income investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:EMA (Emera Incorporated)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/17
Date Created
2019/05/28
Author
hanwar