Why TFSA Investors Should Include Emera Stock in Their Portfolios

Description

For investors who are looking to make the most of their TFSA, it's important to find stocks that can offer growth, dividends, or even both. As the income that you earn inside of a TFSA is tax-free, as long as your investments are producing cash flow for your portfolio, it really doesn't matter whether that's a result of dividends or if it's being earned through a rising share price.

However, by investing in a stock that pays a dividend with a lot of growth potential, you can benefit from the best of both worlds. That's why **Emera Inc** (TSX:EMA) is a very special stock that all TFSA investors should consider holding.

Shares have soared more than 40% in the past year

Emera has generated some strong results for investors over the past 12 months. It's been a steady rise for the company as strong quarterly results have given investors plenty of reason for optimism.

In three of the past four quarters, Emera has come in above earnings estimates – beating analyst expectations by more than 10%.

Over the trailing 12 months, the company has averaged a profit margin of 12.5%, a very strong performance by Emera. Back in 2016, Emera's profit margin was a much more modest 6%.

Through its acquisitions, including Florida-based TECO Energy, Emera has been able to grow its presence in North America and not only increase its sales, but its profits as well.

A stronger profit margin is great news for investors, as it means more of the company's incremental revenues will flow through to its bottom line, which will help grow the company's value over the long term.

If Emera can maintain these impressive results, there will be no reason that the stock won't be able to climb even higher than where it is today. Trading at around 1.8 times its book value at writing, the stock is still decently priced despite its strong returns this year.

Dividend growth is another reason the stock is an attractive long-term buy

Currently, investors who buy shares of Emera will be earning 4.3% per year in dividend income. While that's a great yield, what makes the stock an even better buy is that its payouts have grown over the years. Quarterly payments of $0.6125 were recently hiked from $0.5875 for an increase of 4.3%.

If we go back five years, the stock was paying its shareholders $0.388 every quarter, meaning that dividend payments have since risen by 58%, which averages out to a compounded annual growth rate of 9.6%. Its most recent hike was actually more modest than the increases that the company has made in the past.

While that might mean that investors may not see that same high rate of growth going forward, it also serves as a reminder that acquisitions and a stronger outlook can sometimes accelerate dividend growth.

Investors shouldn't expect to see dividend increases of nearly 10% every year, but the odds are good that Emera's quarterly dividend payments will continue rising for many years to come.

Bottom line

Emera ticks off a lot of boxes for investors and it's a great buy on many fronts. Whether it's the stock's dividend or its strong growth prospects, there are some great reasons to own this stock for the long term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
2. Msn
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